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Japan relaxes its iron grip
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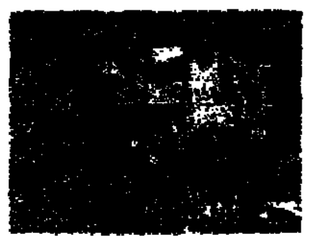

Sport
Escape from Skid Row
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World Business Newspaper http://www.FT.com MONDAY NOVEMBER 18 1996

Malaysia to use Lotus for export drive into Europe

Malaysia plans to use UK sports car and engineering group Lotus to provide technological expertise for an export drive into world car markets, Malaysian prime minister Mahathir Mohamad said. Malaysian carmaker Proton took a majority stake in Lotus two weeks ago. The country is likely to produce up to 1m more cars than its domestic market can absorb, and Europe will be a prime target for the surplus. Page 21

Rwandan refugee exodus starts to slow

The international community debated what form its planned military intervention in eastern Zaire should take as the flood of Rwandan refugees heading home from an enormous camp on the shores of Lake Kivu showed signs of abating. US defence secretary William Perry (above) acknowledged the exodus "could substantially change" plans drawn up when the refugees were being used as human shields by Hutu militiamen fighting Zairean rebels. Page 5

Russia's Mars 96 probe fails: Russia's latest Mars probe, Mars 96, failed to leave the earth's orbit and is expected to burn up soon in the atmosphere. Page 20

PC sales rise in Europe: Sales of personal computers in Europe recovered in the third quarter of the year, growing by 12.4 per cent to 3.44m against the same period a year ago, market research firm Dataquest said. Page 2

BBC in link with Bertelsmann unit: The BBC is joining forces with BMG Entertainment, a subsidiary of Bertelsmann, the privately-owned German media and entertainment group, to market the publishing rights to music commissioned for the corporation's programmes. Page 9

Suez to sell property loan portfolio: French financial and industrial holding company Suez hopes to negotiate the sale of property loans valued at some FFr4bn ($780m) to a fund led by Goldman Sachs, the US investment bank. Page 21

Italian unions likely to fight budget: Italy's centre-left government faces a tough task today in selling its 1997 budget to the powerful trade unions, even though the package has passed through the chamber of deputies, its main parliamentary hurdle. Page 2

Britain in $825m Qatar deal: Britain and Qatar signed a $825m deal to supply the Gulf Arab state with armoured personnel carriers, patrol boats, missiles and Hawk trainer aircraft. Page 5

France Télécom consortia in GSM deal: Consortia led by France Télécom and AirTouch Communications/Telesystem International Wireless won a tender for two global system for mobile telecommunications licences in Romania. Page 21

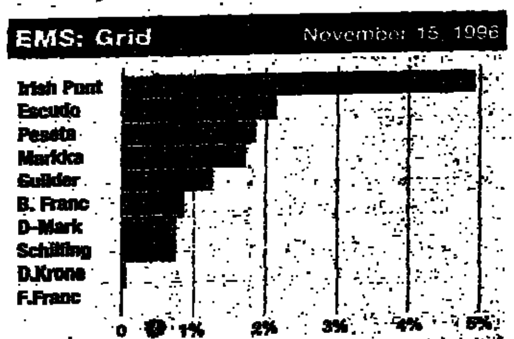
Telefónica ahead: Telefónica, partially state-owned Spanish telecoms group, set the stage for its full privatisation with third quarter pre-tax profits 24.4 per cent ahead at Pta210.6 ($1.66bn). Page 22

Go-ahead for Caspian pipeline: Ten oil companies and the governments of Russia, Kazakhstan and Oman settled differences over construction of a $1.5bn export pipeline for at least $30bn worth of western oil ventures in Kazakhstan. Page 3

Teenager sails around the world: Australian David Dicks, 18, became the youngest person to sail round the world non-stop and solo when he arrived in Fremantle, Australia, in his 10-metre sloop.

European Monetary System: The spread between the strongest and weakest currencies in the EMS grid widened further, with the Irish punt remaining at the top of the grid helped by sterling's continued strength. The French franc was again the weakest currency, closely followed by the Danish krone. Currencies Page 27

EMS: Grid November 15, 1996



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the currencies are permitted to fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilder which move in a 2.25 per cent band.

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Albania	LEK 275	Gibraltar	£0.75	Lithuania	Lit 18.00	Qatar	QR13.00
Austria	Sch37	Greece	Dr400	Lux	LFr75	S.Arabia	SR13
Bahrain	Din1.300	Hong Kong	HK$20	Malta	Lm0.70	Singapore	S$4.30
Belgium	BFr75	Hungary	Ft270	Morocco	MDh18	Slovak Rp	Sk75
Cyprus	C£1.30	Iceland	IKr250	Neth	Fl 4.75	S. Africa	R12.00
Czech Rp	Kc70	India	Rs75	Nigeria	Naira125	Spain	Pta250
Denmark	DKr20	Israel	Shk9.00	Norway	NKr22.00	Sweden	SKr20
Egypt	E£5.00	Italy	L3200	Oman	OR1.75	Switz	SFr3.70
Estonia	EKr 28	Japan	Y500	Pakistan	Rs50	Syria	S£80.00
Finland	FM16.00	Jordan	JD1.75	Poland	Zl 6.00	Tunisia	Din2.000
France	FFr12.00	Kuwait	Fils.750	Portugal (m'land)	Es265	Turkey	L120,000
Germany	DM4.00	Lebanon	LL3500			UAE	Dh13.00

US investors will take some 14% of Europe's largest initial offering

Telekom's shares get cautious issue price

Deutsche chief Ron Sommer announces the company's flotation share price yesterday Reuter

By Wolfgang Münchau in Frankfurt

Deutsche Telekom, the German group headed for a stock market listing later today, has priced its shares at DM28.50, well below the previously indicated ceiling of DM30 ($20) per share.

The price underlines the cautious stance taken by the company and the three global co-ordinators – Deutsche Bank, Goldman Sachs and Dresdner Bank – who were keen to avoid the embarrassment of a market backlash in the aftermath of the flotation. The shares are due to start trading in Frankfurt just after midday (CET) today. Trading will begin in New York a few hours later after shares have been placed with US investors at $18.89.

With total sales proceeds of DM20bn, Deutsche Telekom's initial public offering is the largest in European history. Two thirds of the 600m shares in the issue have been allocated to German investors. About 14 per cent go to US investors and 8 per cent to British investors.

Mr Ron Sommer, chairman of Deutsche Telekom, said he deliberately avoided "pushing the limit" on pricing, and added that he hoped to "seek a long-term stable relationship between Deutsche Telekom and its shareholders".

The issue originally consisted of 500m new shares, a fifth of the enlarged capital, but was raised last week in response to demand. There are a further 90m shares held in a so-called greenshoe – an over-allotment facility to stabilise the market if the price rises above a critical level in the immediate period after launch. The issue was subscribed more than five times.

Private German investors will form the single largest group of shareholders with 41 per cent of the new shares.

The pricing decision was taken Saturday afternoon in a 30-minute meeting, attended by Mr Sommer, Mr Joachim Kröske, finance director, and representatives of the advisers. The price range was set previously at DM25 to DM30.

Bankers closely involved with the deal said the Saturday meeting formally confirmed a decision that had emerged through feedback from investors at presentations in financial capitals.

One banker said US institutions had been more price-sensitive than German retail investors, who were interested mainly in gross dividend yield. On the basis of the issue price and previously announced dividend rate, the yield will be 6 per cent next year.

Senior management of Deutsche Telekom had initially favoured a price closer to DM30 while the advisers sought a more modest price. Indeed, a row broke out in late September between Mr Kröske and Mr Eric Dobkin, a Goldman partner, with Mr Dobkin saying that many international investors would value the company at DM20 a share.

The share sale shifts about 26 per cent of Deutsche Telekom into private ownership.

German bankers hope the offering will help consolidate the fledgling equity culture in a country where investors have traditionally favoured bond and real estate markets.

Many bids from German retail investors will be scaled down. Investors who registered their interest in advance receive a full allocation for bids of up to 100 shares. Bids for 1,000 shares have been scaled down to 300.

The company will use the proceeds to reduce net debt currently a little below DM100bn. As a result, the company's equity ratio would rise from 15 per cent to 25.

Editorial Comment, Page 19

Telefónica threatens legal action

Telefónica, the Spanish telecoms operator, has threatened legal action over the Romanian government's failure to award it one of two mobile phone licences.

The winners were consortia led by France Telecom and by AirTouch Communications/Telesystem International Wireless, which are each expected to invest more than $500m in installing and operating the two digital networks. The consortia will each pay $50m for a 10-year concession as well as an annual fee of $5m.

Report, Page 21

Electronic money threat to central banks

By George Graham in London

Central banks could lose billions of dollars of revenue if consumers start to jettison the traditional banknote in favour of electronic money, economists from the Bank for International Settlements have warned.

A report issued today by the BIS, the central bankers' central bank, says that innovations such as "electronic purses" loaded on to a smartcard or "digital cash" used for making payments over the Internet could erode central banks' income from issuing banknotes.

Note issue is a significant source of revenue for many central banks because the private sector must in effect make interest-free deposits to obtain the notes.

The BIS cites studies estimating the loss of this "seigniorage" at more than $17bn for its 11 member countries if prepaid cards were to eliminate all banknotes below $25 in value, although not all seigniorage comes to central banks.

Central banks could "consider issuing e-money value themselves" as a way of offsetting the lost income, the Basle-based BIS says. Alternatively, it suggests, they could increase mandatory reserve requirements, although this would run counter to the general trend towards lower minimum reserves.

The BIS report appeared as MasterCard, one of the world's two leading payment card consortia, prepared to expand its efforts to develop a widely accepted electronic purse by taking control of Mondex, a UK-developed smart card.

MasterCard will announce today that it is taking a 51 per cent stake in Mondex, which is currently on trial in Swindon in the west of England and in Hong Kong.

Widespread substitution of e-money for cash could make it more difficult for central banks – by reducing their ability to control the money supply – to affect interest rates. But the BIS says that

Continued on Page 20

Chavalit to lead coalition after Thai poll victory

By Ted Bardacke in Bangkok

General Chavalit Yongchaiyudh appeared set to become Thailand's next prime minister after his New Aspiration party narrowly emerged as the country's largest in yesterday's general election.

He will lead virtually the same coalition of five parties that was ousted two months ago amid charges of corruption and economic mismanagement.

Conceding defeat last night, Mr Chuan Leekpai, Democrat party leader, said: "I think the NAP will form a government; we are ready to lead the opposition."

Official results announced by the interior ministry showed the NAP winning 125 seats in a 393-seat parliament. The Democrat party, its main rival, won 123.

Traditionally, the largest party is given the right to form a government, but with no single party commanding a firm majority a coalition government looks inevitable.

The Democrats although only two seats behind appeared unlikely to be able to form a coalition.

Gen Chavalit has quickly ensured the support of his former partners, giving the NAP-led coalition a slim majority of less than 15 seats.

The Chart Thai party, led by ousted prime minister Mr Banharn Silpa-archa, would be the second largest in the coalition. Mr Banharn is likely to receive a high-level cabinet post or at least wield significant power behind the scenes.

The Democrat party, widely seen by the business community as the best hope to revive Thailand's flagging economy, has been forced into second place.

However, it won 29 of 37 seats in Bangkok, the capital, virtually swept the south and won the most seats in the north.

The NAP performed strongly in the country's populous and impoverished north-east, where vote-buying and intimidation have been widespread.

Independent Thai agencies condemned both activities last week.

More than half of the $800m spent by political parties on electioneering during the 45-day campaign was spent in the north-east, according to the Thai Farmers Bank Research Centre.

Gen Chavalit, a progressive soldier who blocked potential coups as army commander in the 1980s, opposed military rule after a coup in 1991 and was interior minister in the Democrat-led coalition from 1992-1994.

Before the election he stated: "It is my turn to be prime minister – I've waited so long." But his deep desire has pushed him towards a probable alliance that many analysts predict will be as divided as its predecessor.

With its small majority, the coalition will be forced to accommodate the policy demands of even the smallest of its partners, many of which were discredited in the previous administration.

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Lockheed and Boeing to battle for fighter contract

By Christopher Parkes in Los Angeles and Bernard Gray in Dallas

A consortium including McDonnell Douglas, British Aerospace and Northrop Grumman has been eliminated from a competition to build a new generation of fighter aircraft for the US and UK.

Lockheed Martin, the world's largest defence contractor, and Boeing, which is collaborating with Britain's Rolls-Royce, but has not designed a successful fighter in more than 50 years, will now contest the final round of the competition.

The two will each receive $1.1bn to build prototypes of the so-called Joint Strike Fighter, a multi-purpose craft with a range of up to 600 nautical miles – in preparation for the final selection, expected by the end of the century.

The US Defence Department's decision to exclude the McDonnell-led consortium was a severe setback for the St Louis group. The JSF is expected to generate revenues of $170bn over 20 years.

Mr Harry Stonecipher, McDonnell's chief executive, said the company's elimination was "a massive loss which will be felt over the next decade".

The company, which earns more than 70 per cent of profits from military aircraft, recently scrapped plans to build a large commercial jet to compete with Boeing and Airbus and sacked the head of its military operations.

It is also a blow to Northrop Grumman and British Aerospace which have been working with McDonnell on the JSF fighter. The UK has contributed $200m to JSF development because it wants the vertical take-off version of the aircraft to replace the Sea Harrier on the Royal Navy's aircraft carriers.

BAe may now try to team up with Lockheed or Boeing to regain a foothold on the pro-

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Italian unions set to fight budget

By Robert Graham in Rome

Italy's centre-left government faces a tough task today in selling its 1997 budget to the powerful trade unions, even though the package passed through the chamber of deputies, its main parliamentary hurdle, on Saturday.

Mr Sergio Cofferati, leader of the CGIL, largest of the three main union confederations, has threatened a general strike if the government does not make concessions on its proposed "Europe Tax" on incomes and fails to deliver on its promise to stimulate jobs.

The attitude of the unions is likely to determine, at least in part, the speed at which the government proceeds with negotiating re-entry of the lira into the European exchange rate mechanism.

With the essential elements of the budget now approved, the government is committed to an early return to the ERM. But ministers hinted over the weekend that the informal end-of-November deadline could slip. Italy's partners are reported to be in no hurry and may want the budget more clearly defined before readmitting the lira.

The government has a clear majority in the senate, where the budget will now be discussed, so the main pressure for change is coming from the unions. Their concerns will be put to the government today when they will argue that the Europe tax should be borne by the rich. They will further press the government to reveal its hand on some L5,000bn ($3.3bn) worth of new-year fiscal measures – expected to involve higher taxes on petrol and luxury goods.

Mr Cofferati and his colleagues are anxious to soften the impact of the austerity budget that will remove almost 3 per cent of gross domestic product from the economy. They argue this is best done by immediate action on the package of measures to fight unemployment agreed in September with the unions and Confindustria, the industrialists' confederation.

The latter has been awaiting the outcome of negotiations with engineering workers on renewal of a two-year contract. These are stalled over the degree to which the unions can recoup earnings eroded by inflation, and a second protest strike is due this week.

Employers are worried that giving into the engineers would set an industry-wide precedent. The Bank of Italy for its part has warned an inflationary settlement could undermine next year's 2.5 per cent inflation target and inhibit cuts in interest rates. A further drop is an essential calculation in the government's belief it can cut the budget deficit to 3 per cent of GDP in line with the Maastricht treaty.

Decline of Rome retailer, Page 11

Government passes Maastricht milestone

With a record of almost 2,000 separate votes in 11 days, Italy's 1997 budget has finally passed through the chamber of deputies.

It has taken almost 2,000 votes in the chamber to approve the budget, writes Robert Graham, and that is only the half of it

It has been a marathon *performance with a very* complex piece of legislation. On one day alone 418 items were voted on. Although the budget now has to be approved by the senate and will not be final until at least mid-December, there will be no changes to the broad numbers.

This is the first time the annual budget has been conceived in two phases – the product of a decision in September to accelerate the *reduction of the budget deficit* to meet the Maastricht *convergence criteria* of 3 per cent of gross domestic product on schedule in 1997. The first phase aims to find L37,500bn ($25bn) in spending cuts and new revenues; while the second phase, whose full details probably will not be known until March, will raise L12,000bn in extra taxes and come up with savings of L13,000bn through treasury operations.

Since discussions began 45 days ago, the government *has done little to dispel criticism* that the projections for both savings and tax collection are too optimistic against a backdrop of a stagnant economy this year and 1 per cent growth next year. The measures sent to the senate reflect the strong influence of Reconstructed Communism, which has prevented any attempt to cut welfare spending, forcing the government to rely more on fiscal measures.

The main novelty is the extensive use of delegated *laws, criticised by the opposition* as being unconstitutional. These approve the principle of a policy and allow the government a free hand to frame the details. The government has taken full advantage of this to build into the budget several reforms which will have a significant impact on the structure of future spending as well as tax collection.

The most important initiatives here are:

● a shake-up of the civil service, including more labour flexibility and greater powers of dismissal, coupled with a bold drive to decentralise the bureaucracy;

● an overhaul of income tax rates, reducing the number of categories from seven to five with a minimum rate of 18 per cent and a top rate of 46 per cent;

● and introduction of a single regional tax to replace five different types of regional contribution.

The finance ministry believes the net effect of the tax changes will not increase the fiscal pressure. However, the wealthier will be hit by having company fringe benefits taxed, and by a 5 per cent increase in the assessed value of property on which tax is paid. Greater fiscal powers for the regions also mean that some areas will be paying higher taxes, notably on gas and petrol.

The second phase of the budget, with the planned "Europe tax", will nevertheless increase pressure and affect all but the lowest incomes.

On the expenditure side there is less innovation. Once again emphasis is placed on more efficient tax collection and a clamp-down on evasion.

Savings will come through a freeze on public sector hiring and a 5 per cent across-the-board cut in ministerial budgets; a reduction in military service from 12 to 10 months; trimming transfers to the railways; and closing hospitals.

Brussels suggests UK could have beef deal

By Caroline Southey *in Brussels*

Britain's European Union partners would approve a partial lifting of the beef ban, the European Commission believes, if the UK pressed for an end to the embargo on meat from herds which have been free of mad cow disease. It would be *acceptable to* all bar Germany, officials think.

Such a move would amount to a regional lifting of the ban, since incidence of bovine spongiform encephalopathy (BSE) has been lower in Northern Ireland and Scotland than in the rest of the UK.

Northern Ireland and *Scottish farmers* have urged the government to pursue the case for lifting the ban on "certified" herds. Their cause has been taken up by Mr Ivan Yates, the Irish agriculture minister, and they have had a sympathetic hearing from Mr Franz Fischler, the agriculture commissioner.

However, the British government has refused to lodge the request in Brussels. Nor would it do so, said *an official, until EU scientists* had given their views on the merits of a selective cull of British cattle aimed at reducing incidence of the disease. This is not expected until early next year.

"Any lifting of the ban depends on us meeting the Florence conditions, which include a selective cull. We *can't decide on* the cull until we know what the scientists think," the official said.

Mr Douglas Hogg, Britain's agriculture minister, will today brief his counterparts at a meeting in Brussels on the steps taken to fulfil the terms of the Florence agreement. "We will try to impress on them *we are trying to push* things forward," an official said. "But there won't be any dramatic new departures."

EU officials believe the UK is stalling on the issue because of domestic political considerations. "They don't want to do anything this side of the election. They would prefer to be able to *portray us as perfidious idiots* who can't speak the language," said one.

The British government *also has* been reluctant to act because of fears of a political backlash in Scotland. Cabinet ministers are nervous that Northern Ireland farmers would exploit markets traditionally supplied by Scotland if the ban was lifted in Ulster first. "Some are arguing that it has to be all, or nothing," said the EU official.

Commission and British experts have already begun discussing the conditions under which the ban could be lifted, including a definition of a certified herd and systems for tracing cattle. "There would be common rules for all. But some obstacles will be so high *that* only some will be able to clear them," the official said.

Northern Ireland in particular could easily meet the necessary conditions, since there have been incidents of BSE in only 3 per cent of its herds. It also has a sophisticated computerised database of all cattle and the advan*tage of being separate from* the mainland, making it easier to control exports.

European PC sales rise 12% in third quarter

By Paul Taylor in London

Sales of personal computers in Europe recovered in the third quarter of this year, growing by 12.4 per cent to 3.44m against the same period a year ago, according to figures from the market research firm Dataquest. While still well below the peak of just under 30 per cent recorded in the first three months of 1995, the figure compares with just 6.7 per cent in the second quarter this year.

Germany led the *field with* a 14.7 per cent rise to 892,193, while Britain, Europe's second biggest market, grew by 17.4 per cent to 736,267. The *third largest*, France, increased by 9.5 per cent to 481,098.

Belgium, Finland, Ireland, Netherlands and Norway all posted growth exceeding 20 per cent, but sales fell in Italy, Portugal and Sweden compared with the same period a year earlier.

Among manufacturers, Compaq Computer retained the top position with a 12.9 per cent market share, down from 13.1 per cent a year *ago, followed by* International Business Machines with 9.1 per cent, Hewlett-Packard with 5.2 per *cent, and Dell Computer*, which continued to increase its market share to 5.2 per cent from 3.9 per cent a year earlier.

Toshiba, the Japanese portable computer specialist which has recently announced plans to enter the desktop market in Europe, also boosted market share sharply to 4.1 per cent from 2.6 per cent.

Among other leading companies, Apple Computer saw its share slip further to 4.2 per cent from 5.2 per cent a year ago. However, it claims order rates in Europe have stabilised following uncertainties about the company's future which affected sales in the first and second quarters.

Siemens Nixdorf, Vobis and Olivetti, the only Euro*pean-based companies* among the European sales top 10, all saw their market shares fall slightly.

Desktop and deskside PCs accounted for 82.2 per cent of PC sales, or 2.83m units, and Dataquest's figures confirm that machines based on Intel's Pentium microprocessor account for the vast bulk of PC sales.

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EUROPEAN NEWS DIGEST

French wealth tax may fall

The French government is considering *easing* a special tax on the wealthy so that rich people do not flee the country, Mr Eric Raoult, urban affairs and integration minister, said yesterday. "We would not want the goose that lays a golden egg to leave."

Speaking on radio, he acknowledged that the "solidarity tax on great wealth" was popular with the public but said he believed the right balance could be found while encouraging the wealthy to stay in France. Parliament is considering the 1997 state budget but has so far left the wealth tax unchanged. President Jacques Chirac said earlier this year that the tax should be eased, but the opposition Socialists promptly attacked the idea as evidence of his "solidarity with the rich".

The tax this year will bring in an estimated FFr8.8bn ($1.7bn) from some 170,000 taxpayers. The minimum rate is 0.5 per cent of total assets of FFr4.6m, rising to a maximum of 1.5 per cent for holdings above FFr45.5m. *Reuter, Paris*

Russian blast kills military

Rescue workers search the ruins of a military block of flats for survivors of an explosion that border guards said was an attempt by gangsters to scare the authorities. The death toll from the blast, which happened early on Saturday in the southern Dagestan region, had reached 24, including nine children, by last night. Tass news agency said a third of the Caspian region's border guards might have been wiped out in the explosion.

A spokesman for Dagestani authorities said 24 dead and eight injured people had been pulled from the ruins of the eight-storey building and 35 were still assumed to be in the rubble. Tass quoted officials as saying the blast might be a gangland revenge attack linked to a regional crackdown on arms and caviar smuggling. The border guards issued a statement blaming cross-border criminals for the "terrorist act". *Reuter, Kaspiysk*

German-Iran links threatened

Some 200 members of the Iranian parliament urged the government yesterday to reconsider ties with Germany after German prosecutors accused Iranian leaders of assassinating political opponents. State-owned radio said some 200 of the legislature's 270 members had endorsed a letter sent to Mr Ali Akbar Nategh Nuri, the speaker, saying: "Bonn does not deserve friendly ties with Tehran."

Hundreds of people demonstrated in front of the German embassy, throwing eggs and tomatoes at the building as the security forces stood by.

A German federal prosecutor alleged last week that Ayatollah Ali Khamenei and President Ali Akbar Hashemi Rafsanjani had approved the murder of four Iranian Kurdish opposition leaders in a Berlin restaurant in September 1992 in their capacity as members of a "committee for special affairs". Prosecutors on Friday demanded life imprisonment for the suspected killers. An Iranian and four Lebanese have been on trial in Berlin for more than three years and a verdict is expected in January. *AFP, Tehran*

Yeltsin plans a walk

President Boris Yeltsin is making a good recovery from his heart operation and planned to take an outdoor walk yesterday, doctors and Kremlin officials said. A photograph of Mr Yeltsin since his operation was published over the weekend on the front page of Sevodnya, an influential Moscow daily newspaper owned by a bank close to the Kremlin. It showed a relaxed president drinking tea in hospital with his wife and a grand-daughter.

"The president's recuperation is going well. The president is active. Today, he is going for a walk at the dacha in Barvikha," said Dr Renat Akchurin, who performed the operation on the president. Doctors also said that scarring discovered during Mr Yeltsin bypass operation earlier this month appeared to confirm that he had suffered a third heart attack this summer.

Despite reports of his vigorous recovery, Mr Yeltsin has not yet made a promised radio or television appearance. Political quarrels within his entourage flared up again last week with the publication of what was allegedly the tape-recorded transcript of an incriminating conversation between top Kremlin officials. *Chrystia Freeland, Moscow*

Close contest in Romania

Romanians went to the polls *to elect a president* yesterday in what is set to be the most tightly contested national election since the overthrow of the Ceauşescu regime seven years ago.

Opinion polls put the incumbent Mr Ion Iliescu, the former senior Communist who has ruled since 1989, neck-and-neck with Mr Emil Constantinescu, an academic whose centre-right Democratic Convention, the main opposition group, defeated the president's party in parliamentary elections for the first time two weeks ago.

However, Mr Iliescu, who won 85 per cent of the vote in 1990 and easily defeated Mr Constantinescu two years later, remains more popular than his party, which many accuse of bungling economic reforms and of fostering a corrupt business elite. *Virginia Marsh, Bucharest*

New deal on Nazi gold sought

By Norma Cohen

Swiss ministers will be asked today to renegotiate a *1946 agreement on* the distribution of gold bullion, worth up to $500m, deposited at Swiss banks by the German Nazi government during the second world war.

Two British MPs, Mr Greville Janner, who is chairman of the Holocaust Education Trust, and Mr David Hunt, a former Tory minister, have been *invited to meet* the Swiss foreign minister, Mr Flavio Cotti, to discuss their concerns about Switzerland's role in the handling of assets belonging to victims of Nazi persecution.

Although up to $500m worth of gold bullion was deposited in Switzerland, the 1946 agreement with the US, Britain and France provided only for the return of $60m to the allies. The Swiss government and leading bankers have categorically refused to renegotiate the agreement, saying its terms *were binding on all parties.*

However, Mr Janner says he has obtained legal advice from leading UK solicitors that the deal can be re-opened. Some of the gold came from individual vic*tims of Nazi* persecution and from other countries not party to the agreement.

"Legally, it is not binding on those who are not party to it."

Mr Janner says he will also meet leading Swiss bankers who have so far insisted that their predecessors acted properly in inves*tigating* claims on bank deposits made by those murdered by Nazis.

"*I will suggest to them* that even knowing what they know now [about the role of Swiss bankers] they must be ashamed of it. They should apologise and make some sort of gesture," Mr Janner says.

Roughly 40,000 Jews escaping Nazi persecution reached the Swiss border but were *refused entry, says* Mr Janner. "They stamped their passports with a 'J' and sent them back to die," he says of former Swiss officials. "They wouldn't take the people but they took the gold."

NEWS: EUROPE

Russian diamond giant fights off attack

First round to ARS, writes **Chrystia Freeland**, but war for control of industry is far from over

Russia's diamond-producing giant, Almazy-Rossii-Sakha (ARS), appears to have won the first round of its verbal battle with the finance ministry. But the war for control of the billion-dollar industry is likely to rumble on.

The clash began earlier this month, when Mr Alexander Livshits, the finance minister, accused ARS of serious financial violations. He ordered the president of Yakutia, the autonomous republic in Siberia where the company is based, to sack officials responsible for overseeing it.

But last week ARS, one of the country's top export earners, struck back, and by the weekend company officials victoriously announced the tussle was over.

"Mr [Victor] Chernomyrdin [prime minister] has no charges against us," said Mr Simon Zelberg, ARS vice-president.

"In fact, the whole thing was a classic bureaucratic game. Mr Livshits never actually made the charges against us, they were only made in an unauthorised press release put out by someone in the ministry," he said.

Finance ministry officials would neither confirm nor deny the company's assertion that the affair had been dropped.

Mr Zelberg's assertion followed an intense lobbying effort in Moscow by ARS executives and Mr Mikhail Nikolaev, the powerful president of Yakutia. Mr Nikolaev, who discussed the issue with the prime minister, defended the company vigorously, telling a Moscow press conference the allegations were false and had been planted by business competitors.

ARS executives argued that the charges were part of a campaign by factions in the federal government to deprive the organisation of its lucrative right to sell the diamonds it produces. They also suspected the attack could be an attempt to derail an agreement between Russia and the De Beers diamond cartel, which has been championed by ARS.

"We know there are people in Moscow trying to liquidate our company, but we are confident this will not be possible," Mr Zelberg said.

Executives said they suspected former officials of Komdragmet, the government agency which administered the sector until it was disbanded this summer.

Mr Yuri Kotlyar, the former acting head of Komdragmet, said he had been a long-standing proponent of depriving ARS of the right to sell diamonds directly. He also said he was against the De Beers deal.

But Mr Kotlyar insisted he had not been behind the finance ministry accusations, which he said were linked to the government's intense effort to boost revenue collection.

"Komdragmet is not involved in any criticism of ARS," he said. "It is true I once said the company should be nationalised, but should I be killed for this view? This is a return to Stalinist times, when we were also supposed to have exactly the same views. If ARS wants to know who its real enemy is, it should look in the mirror."

Cartier profile, Page 11

Way cleared for Caspian oil pipeline

By Sander Thoenes in Almaty

Ten oil companies and the governments of Russia, Kazakhstan and Oman have settled remaining differences over construction of an export pipeline for at least \$30bn worth of western oil ventures in Kazakhstan.

The \$1.5bn pipeline, due on line in 1999, would pump 28m tons a year from the west of the country to the Russian Black Sea port of Novorossiysk. Later expansion to 68m tons would be financed partly from early revenues.

Mr Ed Smith, general director of the Caspian Pipeline Consortium, said all issues had been agreed in principle at a meeting of the parties in Moscow last week. They were now wording the shareholder agreement and hoped to sign it in early December, enabling the 10 companies the following month to buy 50 per cent of the consortium from its current members, the governments of Russia, Kazakhstan and Oman.

Chevron and Mobil, among others, have held back production in Kazakhstan because Russia, claiming capacity limitations, would not grant sufficient access to its export pipelines. Kazakh officials accused Russia of using its stranglehold on the project to press for political concessions.

Russia was persuaded earlier this year by a 24 per cent state share, plus 20 per cent to be held by the Russian oil companies Lukoil and Rosneft, and revenues for the pipeline's Russian operator, Transneft.

"The smell of oil got too strong," said Mr Umirserik Kasenov, director of the Institute for Strategic Research in Almaty. "Serious talks had started about alternative routes [evading Russia]. It's in Russia's interest to have the CPC built. Whoever builds the pipeline controls the oil exports from the Caspian region."

Negotiators said the Russians never mentioned disagreements between themselves and Kazakhstan over how to share the potentially huge oil reserves under the Caspian Sea, nor a last-minute suggestion by Kremlin aides to reroute the pipeline through war-ravaged Chechnya.

Chevron, Mobil and Oryx of the US, British Gas, Agip of Italy and the Kazakh state company, Munaigaz, are pledged to join the consortium in April. All are producing in Kazakhstan. Lukoil's partner Arco of the US will take 46 per cent of Lukoil's stake to provide financing and bring the share of US companies to 30 per cent. This allows US members to deduct taxes paid in Russia.

Royal Dutch Shell will take over 49 per cent of Rosneft's share.

Bosnian post for Islamic leader

The man expected to replace Bosnia's controversial deputy defence minister, whose removal Washington demanded because of his close ties to Iran, was the commander of foreign Islamic fighters in Bosnia during the war, AP reports from Sarajevo.

US officials said on Friday that Mr Hasan Cengic, the deputy defence minister in the Moslem-Croat federation, who spent much of the war in Iran procuring weapons despite a UN arms embargo, would be removed from his post.

The US, eager to curb Iranian influence, had made Mr Cengic's dismissal a pre-condition for delivering weapons worth \$100m as part of a programme to train and equip federation forces.

Mr James Pardew, the US envoy overseeing that programme, said on Friday that Mr Cengic's replacement would be Mr Sakib Mahmuljin.

Mr Mahmuljin commanded the Bosnian Army's 3rd Corps in central Bosnia, where most of the units of foreign Islamic fighters were headquartered. As such, he was their commander and main link to the Bosnian army. Many of the foreign fighters were from Iran.

Mr Pardew has publicly insisted that Bosnia choose between Washington, which brokered the peace accord that eventually ended the war and promised military assistance, and Iran, the best supplier of such assistance in the hour of need during the war.

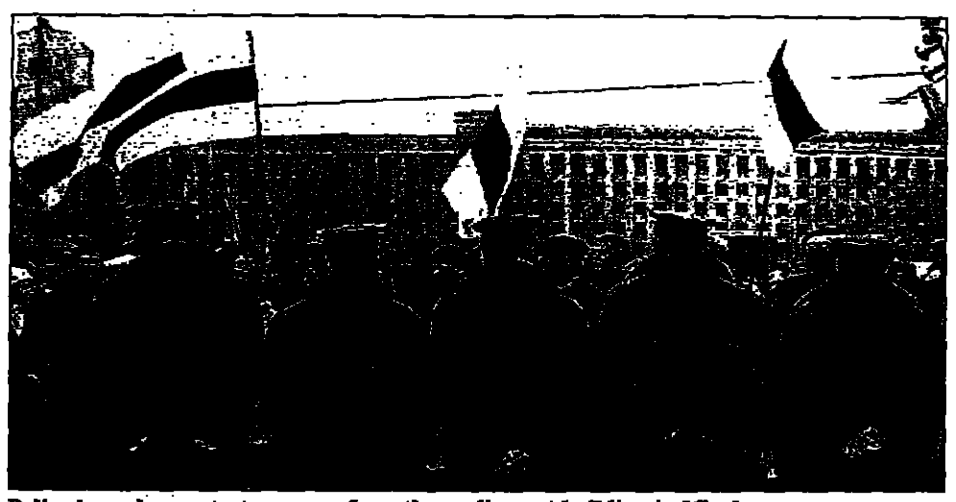
Sources close to the government in Sarajevo said Mr Cengic was being considered for the post of interior minister, which would give him command of Bosnia's police.

He is an Islamic cleric with close ties to Bosnia's President Alija Izetbegovic. The two were jailed in 1983 for alleged Islamic nationalism under the Communist regime of the old Yugoslavia.

● An increasingly open and bitter struggle for power among Bosnian Serbs escalated yesterday when politicians trying to oust Gen Ratko Mladic as military commander demanded his supporters be put on trial for seizing a television transmission tower a week ago, AP reports.

Thousands protest over Belarus vote

By Matthew Kaminski in Kiev



Police keep demonstrators away from the parliament building in Minsk *Reuter*

Several thousand demonstrators yesterday clashed with police in Minsk, the Belarus capital, over President Alexander Lukashenko's attempt to enhance his powers in a referendum next week.

The protests marked an escalation of the battle between the president and members of parliament opposed to his increasingly authoritarian regime. If Mr Lukashenko wins the referendum next Sunday, he would gain nearly total control of parliament and the higher courts and extend his term by two years.

Last week he sacked the country's chief electoral official, who, siding with parliament and the courts, ruled the referendum would carry no legal force. Mr Lukashenko, who controls the army, says the vote will be binding.

Yesterday's protests brought out an estimated 10,000 people. Riot police repelled some from government buildings. A few minor injuries were reported.

Parliamentarians have called an emergency session for today to consider the crisis. Mr Gennadz Karpenko, deputy chairman of parliament, yesterday urged the demonstrators to come back today to support parliament, Interfax news agency reported.

Several dozen deputies have remained in parliament since Friday, fearing Mr Lukashenko might bar them from the chamber as he did Mr Victor Gonchar, the sacked electoral official.

Mr Morat Fanasayev, a deputy from the opposition Civic Union party, said by telephone that deputies could come and leave the building freely, although riot troops had been stationed nearby early yesterday.

"It's getting more absurd by the day," he said. "Now that the president's liquidated the electoral commission, how can he even carry out a vote?"

But Mr Lukashenko pressed ahead with preliminary balloting at the weekend for voters who cannot come out on November 24. The state-run media urged Belarusans to back the president and ignored the protests in the capital.

The president, who won a landslide in 1994 and then cracked down on democratic opposition, has evoked nostalgia for the Soviet era and fear of organised crime in his latest campaign for stronger powers.

"I was just thinking about myself: we should thank the Lord for a president who can preserve stability in the country," Mr Lukashenko said.

He needs the support of half the registered voters, but Mr Fanasayev alleged the preliminary ballots were rigged and said voter fraud should be expected.

The parliament, unsuccessful in forcing the president to cancel the referendum, has responded by placing its own questions on the ballot – including a proposal to eliminate the office of president.

Czech vote gives mixed message

By Vincent Boland in Prague

Czech voters delivered another ambivalent message to their political leaders at the weekend in the first round of elections to a new senate, the upper house of parliament.

In what had been called the election nobody wanted, only about a third turned out to vote on Friday and Saturday. While that was sufficient to give the Civic Democratic party (ODS) of Mr Václav Klaus, the prime minister, a big early lead, it was too low to suggest a quick end to the current political stalemate.

Disgust at political squabbling and financial scandals and lack of interest in the new chamber were blamed for the small turnout.

Mr Klaus was nonetheless cheered by the result. The ODS got 76 candidates through to next weekend's run-off for the 81-seat chamber, and many of them lead by a wide margin. This suggests it will win a comfortable majority. It also had three senators elected outright in the first round.

The party won 36 per cent of the nationwide vote, compared to just 20 per cent for its nearest rival, the opposition Social Democrats, which trailed in every constituency. Voters whose first-choice candidate failed to reach the run-off could reduce that margin next weekend, however, if they turn out again.

A big win would be some compensation for the loss of Mr Klaus's majority in an election to the lower house in June. The senate has few powers but the outcome is of symbolic importance for the prime minister, who would like an early general election to try to regain his lower house majority.

LEGAL NOTICES

DIAMOND CAPITAL LTD

Registered Office: 80 Broad Street,
Monrovia, Republic of Liberia

LAST CALL FOR PAYMENT OF LIQUIDATION DIVIDENDS

As from December 4, 1989:

Upon surrender of certificates representing Class C shares, with attached coupon no. 2 and other coupons, USD 161.88 per share will be paid with respect to such shares.

Upon surrender of certificates representing Class C shares, with attached coupon no. 1 and other coupons, USD 200 per share, representing a return of capital, will be paid plus the amount set forth above.

Upon surrender of certificates representing Class A shares, with attached coupon no. 1 and other coupons, (not previously surrendered), USD 600 per share, representing a return of capital, will be paid plus the amount set forth above.

Credit European, 52 route d'Esch, Luxembourg acts as paying agent.

This is the last reminder. On 4 December 1996, the liquidation of the Company shall be closed and no claims for liquidation dividends after that date shall be honoured.

A Liquidator

NEWS: ASIA-PACIFIC

Free trade prospects fading on Pacific rim

Guy de Jonquières and Edward Luce assess chances of progress as Apec member states gather in Manila

The 18 members of the Asia Pacific Economic Co-operation forum gather in Manila this week and next amid signs that their two-year-old drive to free all trade and investment in the Pacific rim region by early next century is faltering.

The summit next Monday – preceded by the gathering of ministers and senior officials this week – is seen as crucial to restoring momentum.

But with few substantive issues on the official agenda, much may depend on President Bill Clinton using his renewed electoral mandate to inject fresh political impetus into the project. The meeting is his first high-profile opportunity to spell out foreign policy priorities for his second term. It is expected to provide clues to his approach to trade policy and to US intentions towards Asia.

Mr Clinton will meet President Jiang Zemin of China for the first time for more than a year and will seek to improve relations further with Beijing. The talks will be preceded by this week's visit to China by Mr Warren Christopher, US secretary of state, who will then join the Apec meetings.

The summit may help set the tone for the World Trade Organisation's first ministerial conference, in Singapore next month. Some observers hope Apec leaders – the economies of whose nations generate about half the world's trade and output – can galvanise the WTO into more ambitious agreements. However, most Apec states seem hesitant even about making good on their much vaunted pledge to free regional trade by 2010 in industrialised member economies and by 2020 in developing ones.

The scheme obliges each government to present an "individual action plan" for accelerated trade liberalisation. Yet few seem ready to go much further than is already required by the Uruguay Round world trade accord.

Dr Fred Bergsten, head of the Washington-based Institute for International Economics and an architect of the free trade scheme, says the disappointing results to date threaten to make the summit a failure, undermining Apec's credibility. Business leaders are also becoming disenchanted. "There is some frustration and impatience that trade liberalisation and integration in Apec have been moving at a glacial pace," says Mr Roberto Romulo, chairman of the Apec business advisory council, a private sector body.

The summit will approve trade facilitation measures, such as customs harmonisation and an Apec-wide business visa. The US will also lobby for a WTO agreement to free trade in information technology products, and will push Asian countries to make more concessions in WTO telecoms negotiations.

But concern that the talks may yield little else has prompted last-minute efforts by President Fidel Ramos of the Philippines to persuade other south-east Asian leaders to put forward bolder Apec liberalisation plans. That may be an uphill struggle.

Slower export growth has clouded the performance of economies such as Singapore and Malaysia, while Indonesia appears to be backsliding on liberalisation. In Thailand and Japan elections have focused political attention on domestic priorities. The US has criticised some other Apec members' market-opening plans as inadequate. But its own proposals are modest, partly because Congress has yet to approve "fast-track" authority to negotiate new trade deals.

The Apec leaders may therefore need to find other issues to make headlines. One is China, whose long-stalled attempt to join the WTO will be championed by President Ramos at the summit. Beijing appears to hope Mr Clinton's re-election will lead to faster progress, but the two sides have yet to break out of a diplomatic impasse.

The US is still demanding firmer guarantees that China will open its market wider and respect WTO rules. Beijing seems unwilling, however, partly for domestic political reasons, to offer such reassurances unless Washington supports its application more whole-heartedly. US reticence also reflects its growing trade deficit with China.

How far Presidents Clinton and Jiang will be able to square the circle this month is uncertain. Nonetheless, their meeting should underpin the recently launched US policy of "comprehensive engagement" of China.

Though not part of Apec's formal remit, regional security is expected to feature in Mr Clinton's talks with his Chinese opposite number and in his planned meetings with Mr Ryutaro Hashimoto, Japan's prime minister, and President Kim Young-sam of Korea. Mr Clinton will also visit Australia and Thailand this month.

But though such encounters may add political lustre to the summit, they are unlikely to make up for the collective loss of face which would result from failure to press ahead convincingly with Apec trade liberalisation. Optimists insist Apec's annual summits generate their own dynamics, which can produce unexpectedly bold initiatives. They point to the 1994 meeting in Indonesia which established the regional free trade plan. But setting visionary goals is one thing. Achieving them is another.

Presidents Bill Clinton, Fidel Ramos and Jiang Zemin hope to find common ground during the talks

Illness may upset Vietnam 'troika'

By Jeremy Grant in Hanoi

Vietnam's president, Mr Le Duc Anh, is critically ill in a Hanoi hospital after suffering a suspected stroke at the end of last week, a government source said yesterday.

Mr Anh, a general and former defence minister, is ranked second in the Communist-ruled country's 18-member politburo.

Although the post of president is largely ceremonial, Mr Anh's tenure is important as he is the politically conservative element in a ruling "troika" that attempts to maintain a balance of conservative, reformist, regional and military interests.

The Communist party's five-yearly conclave in July voted to keep Mr Anh in his post along with the party secretary, Mr Do Muoi, 80, and the reformist prime minister, Mr Vo Van Kiet, 74, after no agreement could be reached on their successors.

Mr Anh has been an advocate of closer ties with China as a way of improving relations between the former enemies and defusing tension in disputed areas of the South China Sea.

Presidents are approved by the National Assembly, which next meets in April next year. Should Mr Anh be permanently incapacitated, the question of a replacement would reopen the succession issue that was fudged at the party congress.

That dilemma diverted the leadership from pushing forward economic reforms that are needed to help Vietnam maintain growth, notably state enterprise reform, encouragement of the private sector and banking liberalisation.

Vietnam's aid donors are expected to express concern at apparent slowing of reform when they meet the Vietnamese government in Hanoi on December 5-6.

Punjab move clears way for polls

By Farhan Bokhari in Islamabad

Pakistan's President Farooq Leghari yesterday dissolved the provincial legislature in Punjab, the country's richest and most populous province, and dismissed the state government.

The presidential action, formally announced through the office of the provincial governor in Lahore, brings Punjab into line with the other three provincial assemblies, which were disbanded earlier – soon after Mr Leghari sacked the prime minister, Ms Benazir Bhutto, on November 5.

The other provincial assemblies – Sindh, North West Frontier and Baluchistan – were sacked over largely similar accusations of corruption and maladministration that led to Ms Bhutto's removal.

The decision on Punjab was held up because of legal wrangling over the fate of the reinstated chief minister, Mr Manzoor Ahmed Wattoo, after a court order issued before Ms Bhutto's sacking.

The dissolution became possible after Mr Wattoo resigned on Saturday when it became clear he would lose a crucial vote of confidence.

The action also cleared the way for elections in the provinces, expected to be held within a week of national elections, which have already been set for February 3.

Mr Meiraj Khalid, Pakistan's caretaker prime minister, yesterday reaffirmed the plan for national elections. Meeting Pakistani editors in Islamabad, he said that his government remained committed to its promise to hold elections on schedule in spite of speculation that there might be a delay.

But his remarks did little to ease growing concern over uncertainty faced by his caretaker government. Political analysts said that, contrary to expectations, controversial appointments to high positions in the interim government had tarnished its image.

"The government has failed to demonstrate a clear line on important policies. Its lack of direction is now a major problem," said a senior western diplomat.

Concern over the government undermined share prices on the Karachi stock exchange, where the KSE-100 index yesterday fell 1.38 per cent.

● Police arrested Pakistan's former intelligence chief yesterday in connection with the murder of the younger brother of Ms Bhutto, according to the official APP news agency, Reuter reports from Karachi.

Mr Masood Sharif, former director-general of the state Intelligence Bureau, was being held by Sindh province police as a suspect in the shooting of Murtaza Bhutto, APP said.

The estranged brother of the former premier died along with seven associates in a gun battle with police on September 20.

Murtaza's breakaway faction of his sister's Pakistan People's party accused the police and the intelligence bureau of planning his murder. Mr Sharif was head of the intelligence bureau at the time of the killing.

Pilots warned against strike in Philippines

Philippine Airlines (PAL) warned yesterday it would sack pilots who joined any illegal walkout – in an attempt to head off a second strike in a month at the financially troubled national air carrier, agencies report from Manila.

PAL management said issues the pilots had raised in talks with the company were now in the hands of Labour Department arbiters and any stoppage at this point would violate the law.

The 600-strong Airline Pilots' Association of the Philippines said earlier its members were considering going to the picket lines in protest against the dismissal of two senior pilots and against unfair labour practices. It also claimed PAL was using its financial losses as an excuse for a wage freeze. The pilots are seeking pay rises, claiming their salaries are among the lowest in the world for their type of work.

A strike at the airline would undermine the government's preparations for hosting this year's 18-nation summit of the Asia Pacific Economic Co-operation forum. Apec meetings are about to start in Manila and Subic Bay Freeport.

PAL's ground staff went on strike on October 31 in a dispute over a new wage package but returned to work after three days. That was the third strike to hit the carrier in two years.

Business Travel, Page 14

PUBLIC NOTICES

NOTICE PUBLISHED BY THE SECRETARY OF STATE FOR TRADE AND INDUSTRY UNDER SUBSECTIONS 8(5) AND 10(6) OF THE TELECOMMUNICATIONS ACT 1984

The Secretary of State hereby gives notice as follows.

1. He proposes to grant licences under the Telecommunications Act 1984 ("the Act") to the companies contained in the two lists A and B below ("the Licensees") to run international telecommunication systems in the United Kingdom. Each licence will be identical, except that the Secretary of State proposes to apply to each of the Licensees in List A below the telecommunications code ("the Code") subject to certain exceptions and conditions, whereas he does not propose to apply the Code to any of the Licensees in List B below.
2. The principal effect of the licences will be to enable each Licensee to install and run telecommunication systems in the United Kingdom which may be connected to telecommunications systems outside the United Kingdom, and to provide a wide range of international services but not any domestic services (i.e. services involving the conveyance of messages which originate and are subsequently to terminate in the United Kingdom) or mobile radio services. Each licence authorises the connection to a wide range of other systems, including domestic systems and earth orbiting apparatus.
3. Each licence will be subject to conditions such that section 8 of the Act will apply to it, thereby making each of the systems run under the licences eligible for designation as a public telecommunication system under section 9 of the Act. It is the intention of the Secretary of State to designate each of the Licensees' systems as a public telecommunication system.
4. The Secretary of State proposes to grant the licences in response to an application from each licensee for such a licence because he considers that it will help to satisfy demands in the United Kingdom for the provision of services of the type authorised, will promote the interests of consumers in respect of the quality and variety of such services, and will maintain and promote effective competition between those engaged in the provision of telecommunication services.
5. He proposes to apply the Code to each of the Licensees named in list A below subject to certain exceptions and conditions throughout the United Kingdom. The effect of the exceptions and conditions to the application of the Code is that each of the Licensees will have duties:
   (a) to comply with various safety and environmental conditions, in particular (with certain exceptions) to install lines underground or only on such above-ground apparatus as is already installed for any purpose;
   (b) to comply with conditions designed to ensure efficiency and economy on the part of the Licensee, in connection with the execution of works on land concerning the installation, maintenance, repair or alteration of its apparatus;
   (c) to consult certain public bodies before exercising particular powers under the Code, including the local planning and highway authorities and English Nature, Scottish Natural Heritage, the Countryside Council for Wales, the National Trust and the National Trust for Scotland, as well as relevant electricity suppliers;
   (d) to keep and make available records of the location of underground apparatus and copies of the exceptions and conditions in the licence to its powers under the Code; and
   (e) to ensure that sufficient funds are available to meet certain liabilities arising from the execution of street works.
6. The reason why the Secretary of State proposes to apply the Code to each of the Licensees in List A is that those Licensees will need the statutory powers in the Code to install and maintain the telecommunication systems which are to be installed and run under the proposed licences.
7. The reasons why it is proposed that the Code as applied should have effect subject to the exceptions and conditions referred to above are that they are considered requisite or expedient for the purpose of securing that the physical environment is protected, that there is no greater damage to land than necessary, that the systems are installed as safely and economically as possible, and that each of the Licensees can meet (and relevant persons can enforce) liabilities arising from the execution of works.
8. Representations or objections may be made in respect of the proposed licences, the application of the Code to each of the Licensees in List A and the proposed exceptions and conditions referred to above. They should be made in writing by 16th December 1996 and addressed to the undersigned at the Department of Trade and Industry, Communications and Information Industries Directorate, 2.03 Red, 151 Buckingham Palace Road, London SW1W 9SS. Copies of the proposed licence can be obtained free of charge by writing to the Department (fax: 0171 215 1721) or by calling 0171 215 1746.

List A

AT&T Communications (UK) Ltd
CableTel (UK) Ltd
COLT Telecommunications
Concert Communications Company
Convergence Ventures Ltd
Energis Communications Ltd
Esprit Telecom UK Ltd
Global One Communications Holding Ltd
Hermes Europe Railtel B.V.
MCI Telecommunications Ltd
MFS Communications Ltd
Racal Telecommunications Ltd
ScottishPower Telecommunications Ltd
TeleBermuda International (UK) Ltd
TeleWest Communications plc
Telia UK Ltd
Torch Communications Ltd
Unisource Holdings (UK) Ltd
Videotron No. 2 Ltd
RSL Communication Ltd
Teleglobe International (UK) Ltd
TMI TeleMedia International Ltd

List B

ACC Long Distance UK Ltd
Advanced Business Services Ltd
Communicorp (UK) Ltd
East Telecommunications Ltd
Eurotunnel
Facilicom International UK Ltd
Frontel Newco Ltd
Incom (UK) Ltd
Interoute Networks Ltd
ITG (UK) Ltd
IXNET UK Ltd
Long Distance International Communications Ltd
National Transcommunications Ltd
Net. Net Ltd
Pacific Gateway Exchange (UK) Ltd
Primus Telecommunications Ltd
Spacetel International Ltd
Star Europe Ltd
Telecom New Zealand Ltd
Teleport London International Ltd
Telstra Globe Ltd
Vodafone Ltd
Worldcom UK Ltd

Michael Crosse
Department of Trade and Industry

18th November 1996

LEGAL NOTICES

No.006162 of 1996

HIGH COURT OF JUSTICE
CHANCERY DIVISION
COMPANIES COURT
IN THE MATTER OF
NORTEL LIMITED
AND IN THE MATTER OF THE
COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was on 29 October 1996 presented to Her Majesty's High Court of Justice for the confirmation of the reduction of the capital of the above-named Company from £1,036,000,000 to £783,301,000.

AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before the Companies Court Registrar at the Royal Courts of Justice, Strand, London WC2A 2LL, on Wednesday 27 day of November 1996.

ANY Creditor or Shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said reduction of capital should appear at the time of hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any such person requiring the same by the undermentioned Solicitors on payment of the regulated charge for the same.

Dated this 18 day of November 1996

Pinsent Curtis (Ref: DL)
Dashwood House
69 Old Broad Street
London EC2M 1NR
Telephone 0171 418 7000
Fax 0171 418 7050
Solicitors for the above-named Company

IN THE MATTER OF
THE RIVER PLATE and GENERAL INVESTMENT TRUST PLC
AND IN THE MATTER OF THE INSOLVENCY ACT & RULES 1986

In accordance with rule 4.106 of the Insolvency Rules 1986 notice is hereby given that Ian Jacob and Nigel Ruddock of Robson Rhodes, 186 City Road, London EC1V 2NU were appointed Joint Liquidators of the above company by the members on 31 October 1996.

NOTICE IS HEREBY GIVEN that the creditors of the above named company are required on or before the twelfth day of December 1996 to send their names and addresses, with particulars of their debts and claims to the undersigned Ian Jacob and Nigel Ruddock of Robson Rhodes, 186 City Road, London EC1V 2NU the Joint Liquidators of the company, and if so required by notice in writing from the Joint Liquidators either personally or by their solicitors, to come in and prove their debts or claims at such time and place as shall be specified in such notice and in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.

Note: This notice is purely formal and all creditors have been or will be paid in full.

Dated this twelfth day of November 1996

I JACOB AND N RUDDOCK Joint Liquidators

NEWS: INTERNATIONAL

Exodus forces re-think on Zaire troop deployment

By Antony Goldman and Michela Wrong in Goma, Zaire

The international community was yesterday debating what form its planned military intervention in eastern Zaire should take as the flood of Rwandan refugees heading home from an enormous camp on the shores of Lake Kivu showed signs of abating.

The US defence secretary, Mr William Perry, acknowledged that the exodus, which began dramatically on Friday, "could substantially change" plans drawn up when the refugees were being used as human shields by Hutu militiamen fighting Zairean rebels. At that time a mass repatriation looked unlikely. But Mr Raymond Chretien, the UN special envoy, said that while the return from Mugunga was "very positive", there were still hundreds of thousands of refugees trapped elsewhere in the region in desperate need.

The mandate and size of the forces will be discussed by nations which have offered to contribute in Stuttgart on Wednesday, and the first troops are now not expected in the area until Thursday.

A column of hundreds of thousands of Hutu refugees yesterday snaked its way through the dilapidated Zairean town of Goma, across the border and nearly 40km along the main road to Kigali. "By this evening, the exodus from north Kivu should be over," said Mr Ray Wilkinson, spokesman for the UN High Commissioner for Refugees. "The great majority of people in the Mugunga pocket are now out of it."

Although aid agencies had two years to prepare for just such a mass return, they admitted they were completely overwhelmed by its magnitude. "The maximum influx we had planned for was 12,000 a day," said Mr Mans Nyberg, UNHCR public information officer. "No one could have anticipated 10,000-15,000 an hour. All our contingency plans have gone down the drain."

While the World Food Programme had positioned food at more than a dozen possible entry points in Rwanda, all the refugees have been using just one crossing – a hill path at Goma.

There was little sign of aid rations being distributed on the road to Kigali and with hundreds of promised UNHCR vehicles yet to make an appearance, better-off refugees hitched rides on the buses and pick-up trucks they took with them when they fled in 1994.

The UNHCR said it was now content to let the walking exodus continue at its own rate and would send trucks and buses to pick up those too old or too ill to undertake the march.

In spite of alarmist claims by many aid organisations that last month's cut-off of relief, triggered by the escalation in fighting between the rebels and militiamen, was killing thousands, the vast majority of refugees are clearly in reasonable health.

With the Mugunga exodus now ending, aid organisations are speculating about the fate of the rest of the 1.2m refugees who crossed into Zaire as the Rwanda Patriotic Front stormed to victory.

Officials say they believe that between 120,000 and 150,000 of the hardliners – former Hutu militiamen, Rwandan soldiers and their families – have fled north into the hills.

Fighters of the local Mai Mai militia, part of the rebel alliance now in control of much of Kivu, said there was heavy fighting taking place around Kilolirwe, 45km north-west of Goma.

"We are still chasing the Hutus," said Mr Sylvestre Bwira of the Mai Mai. "We have captured 200 of them and will continue until this area is safe for us. And if the Zairean army tries to come back, we will attack them too."

Donors perturbed by Zambian polls - multi-party but flawed

Chiluba is trying to turn the economy round, but withdrawal of foreign aid could scupper his efforts, report **Mark Ashurst** and **Tony Hawkins**

The international fanfare that marked the demise of one-party rule in Zambia just five years ago will be conspicuously absent when the country's voters go to the polls today.

The elections, the first to be held since Mr Kenneth Kaunda was defeated in Zambia's first multi-party elections for some 20 years, are a critical test of Zambia's fledgling democracy. And in the eyes of foreign donors, whose support is critical to President Frederick Chiluba's tough economic reforms, the prognosis is gloomy.

A recent constitutional amendment which bars former President Kenneth Kaunda from standing, and broader concerns related to corruption and poor governance, have prompted seven opposition groups to boycott the poll. Only half of the 4.6m voters have been registered, and only half of these have received their voting cards.

Nevertheless, no fewer than five presidential candidates, eight political parties and 96 independent candidates will still contest the race – most of them former members of the ruling Movement for Multiparty Democracy (MMD). But for donors, not to mention many disillusioned Zambians, the exercise seems deeply flawed.

"Zambia has broken its contract with the world," says Mr Dean Mumb'omba, a former Chiluba minister whose Zambian Democratic Congress (ZDC) presents the main challenge to the MMD. "Nothing has been done to implement the constitutional reforms agreed [at multi-party negotiations] in 1991."

The result is that foreign donors – led by the UK, US, Japan and Denmark – have either suspended, or threatened to suspend, the foreign aid on which Zambia depends.

Attempts to secure a place in the race for Mr Kaunda, who is barred on the grounds that his parents were not born in the country, have been rebuffed. Interventions by both Mr Nelson Mandela, the South African president, and Mr Jimmy Carter, the former US president who administered the 1991 election, have proved no match for the sheer personal animosity between President Chiluba and his predecessor.

In an interview, Mr Kaunda yesterday described the president as "an unfortunate man short both in size and in mind". Mr Chiluba replies that his 72 year-old critic is "a retired meddler" unable to give up his political ambitions. Their shared vitriol has enabled the ZDC to make strong gains among both disaffected supporters of both camps.

Whatever the outcome, Mr Kaunda, who ruled Zambia from independence in 1964 until 1991, says he will appeal to the chief justice on Wednesday to declare the election void. Until then, his United National Independence party is urging voters to surrender their voters' cards.

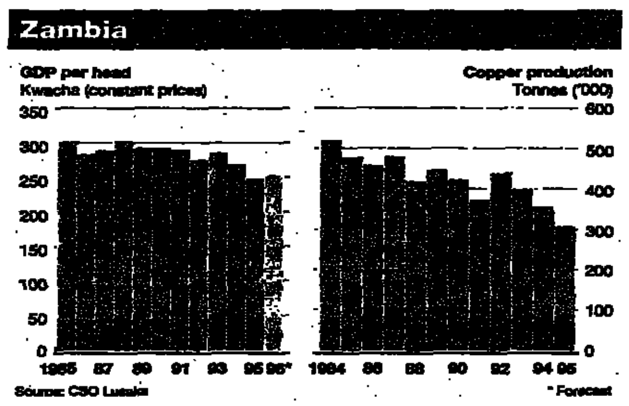
The dilemma facing foreign donors is that Mr Chiluba has made a brave, and on the whole sustained, attempt to turn around the economy that he inherited five years ago.

If donors withdrew foreign aid, especially the annual $350m in cash to prop up the balance of payments, Zambia would suffer a liquidity crunch by Christmas. Such a policy could well scupper the economic reforms, penalising Mr Chiluba for what donors perceive as his anti-democratic tendencies.

That would be a high price to pay. Zambia's privatisation programme is arguably the most successful on the continent: of 235 state-owned enterprises, most of them loss-making, 140 have been sold, raising $139m.

Unilever, Tate and Lyle, the Commonwealth Development Corporation, South African Breweries, Lonrho and Shoprite Checkers, a South African retail chain, are among the international groups attracted by the sale of state assets.

Zambia



Source: CSO Lusaka *Forecast

The hyperinflation and burgeoning monetary growth of the early 1990s have been brought under control. Non-traditional exports surged by 37 per cent last year, raising hopes that cotton, coffee and tobacco could yet become significant industries. Planeloads of fresh roses are exported daily from Lusaka.

For all that, recovery remains elusive. After three decades of central planning, industrial output is lower than in 1980. Real per capita incomes have fallen by 15 per cent in the last 10 years. Copper output, the backbone of the economy, currently stands at half its 1970s peak. And inflation remains stubbornly high, averaging 48 per cent so far this year despite a prime lending rate of 55 per cent.

To date, the social impact of privatisation has been largely benign. However, the long-awaited unbundling of Zambia Consolidated Copper Mines will be more painful. Some 39 companies, including Anglo American, Gencor and Anglovaal in South Africa and Australia's BHP, are in the running for the state-owned mining and power assets.

But the sale, due in the first half of 1997, will entail 10,000 to 15,000 job losses, and opposition parties are making political capital out of this, as well as exploiting the demise of the public sector.

They also cite the decision to liquidate the loss-making Zambian Airways in 1994 as a blow to national pride, and blame foreign advisers for an end to the state's mandatory purchase of maize crops from rural farmers. "We have become pawns of the IMF and the World Bank," Mr Derrick Chitala, general secretary of the ZDC, told a rally at the weekend. "We need people nationalistic enough to bargain with the Harvard chaps."

From the donors' perspective, much will depend on the turnout at the election. If fewer than 50 per cent of eligible voters go to the polls – as is forecast – diplomats may challenge the legitimacy of the government and freeze further aid.

But given the volatile state of neighbouring Zaire and the fragile ceasefire in Angola, they may well be asking themselves whether this is the time to take risks with Zambia's political stability.

Qatar weapons deal for UK

Britain and Qatar yesterday signed a $825m deal to supply the Gulf Arab state with armoured personnel carriers, patrol boats, missiles and Hawk trainer aircraft, Reuter reports from Doha.

The deal was signed by Mr Michael Portillo, the UK defence secretary, and Qatari officials in Doha, a British embassy spokesman said.

"I am not sure when the delivery will begin as it will take a while, because they have to be built according to specification given by Doha," he said.

The deal involves GKN armoured personnel carriers, Vosper Thornycroft patrol boats, British Aerospace Hawk trainer aircraft, and Starburst missiles from Shorts Missile Systems, a joint venture between Short Brothers and France's Thomson-CSF.

It was the second large defence contract for Britain in a week. Australia announced a £1bn ($1.63bn) order for Hawk aircraft last Monday.

Mr Portillo said after talks in Doha last month that he had offered a comprehensive Gulf security proposal to Qatar.

Diplomats said the offer was part of a British bid to find a fresh foothold in Gulf states from where it voluntarily withdrew in 1971.

Britain is also competing with American and French arms manufacturers to sell 50 main battle tanks to Qatar's 8,000-strong army.

Both France and Britain have close military ties with Qatar and supply major armaments required by its army.

Qatar has signed defence deals with the US, France and Britain.

All three western powers have defence treaties with Qatar, whose natural gas reserves – the world's third largest after those of Russia and Iran – make it one of the most strategic sources of vital clean energy in the next century.

Gulf Arab security concerns following Iraq's invasion of Kuwait in 1990 have turned the region into a lucrative arms market, according to industry sources and diplomats.

At a news conference before leaving Doha, Mr Portillo condemned Iran for allegedly backing terrorism and possessing weapons of mass destruction, the official Qatar News Agency reported.

Mr Portillo also criticised Iraq for "not yet destroying its weapons of mass destruction".

Iraq claims it has destroyed weapons prohibited by the United Nations following its invasion of Kuwait.

This is a key condition for lifting UN sanctions imposed on Baghdad.

Prestwick appeal on air freight finds favour in US

By Gerard Baker in Washington

US regulators have decided that any deal with the British government over aviation rights must include freight as well as passenger services, according to Prestwick airport officials. This follows an unusual approach from the management of the Scottish airport.

The decision, taken late last week, was made in response to a direct appeal to the US authorities by Prestwick officials.

Prestwick said yesterday it had obtained an undertaking from the US that Washington would not permit the proposed tie-up between British Airways and American Airlines to proceed without agreement on both types of transport services. The BA-American link would create the world's most powerful airline alliance.

At meetings on Friday in Washington, Mr Matthew Hudson, Prestwick chairman, met senior officials from the US Transportation Department. Later he said the officials "completely understood and agreed with our position. The American government has assured me that it will not do a passenger deal with the British government unless there are Open Skies for freight."

As part of the continuing negotiations over the BA-American deal, the two governments have been discussing a broader agreement that would permit air carriers to pick up passengers and freight in both countries and fly them on to third country destinations, the so-called fifth freedom, or beyond rights. Prestwick and other smaller UK airports stand to gain substantially from such a deal on freight transport.

The British government has consistently resisted Prestwick's pleas for an agreement with the US to open up traffic in this way. The decision by the US Transportation Department means the British must concede the freight rights if the deal is to be finalised. The negotiations have recently resumed after a prolonged break.

The US decision will also raise the stakes for British Airways in its planned link with American, since the airline seems set to lose freight business at its main Heathrow hub to other UK airports.

US companies will be big beneficiaries of the decision too. Many US manufacturers based in Scotland have expressed concern about the costs of not being able to send materials directly from Scotland because of the flight restrictions.

Prestwick's management took the decision last week to approach the US authorities and yesterday were jubilant that it appeared to have paid off.

Lord Younger of Prestwick, the chairman of Prestwick International Holdings, said: "It has been frustrating for Scotland to be denied this essential free trade mechanism due to the commercial agenda of British Airways.

"The course taken by the US authorities on Friday will have a very big impact on business coming through Prestwick."

The Prestwick decision to approach the US government directly, though not unprecedented, is an unusual one. Mr Ken Starling, of Sutherland, Asbill and Brennan, the company's lawyers in the US, said: "Though there is general agreement that liberalisation of air transport is desirable, there has in the past been little progress."

Prestwick had taken advantage of the opportunity in the current negotiations to make its case to US authorities.

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Texaco case puts corporate US on the spot over race

Record $175m settlement is likely to be a down-payment in a costly period of change for industry, writes **Christopher Parkes**

The record $175m price of Texaco's settlement *of a racial discrimination* lawsuit is likely to prove only a down-payment on a costly and agonising period of readjustment for US industry at large.

The oil giant, the third largest US energy group with its star emblem outside 14,000 American petrol stations, still faces a federal investigation of events which led to last week's crisis when a 2½-year-old legal case was brought to an abrupt end.

For the rest of corporate *America, the agreement is* expected to prompt an urgent re-examination and enforcement of anti-discrimination and equal opportunity policies which, in Texaco's case at least, have been shown to be practically worthless.

Jesse Jackson outside Texaco's Los Angeles refinery at the weekend: 'Comprehensive plan including goals and timetables . . . is still not on the table' *Reuter*

Political leaders contemplating an end to affirmative action – formerly known as positive discrimination – have been given pause for *thought.*

Among civil rights and minorities groups, the settlement has given new heart to campaigners who have learnt that the threat of economic sanctions can be a mighty weapon.

The Texaco case, started in 1994 by six black salaried employees who complained they had been consistently passed over for promotion and pay rises, ended on Friday *with the company agree*ing to pay 1,400 black employees $115m immediately.

They will also receive wage increases of more than 10 per cent next January. Wage-earners, mostly covered by union agreements, were not included.

But the settlement broke new ground apart from the sheer scale of the awards: it included a promise from Texaco to spend some $35m on programmes to enhance minorities' opportunities, and establish an "equality and tolerance taskforce" which will give non-whites a say *in hiring and promotion* policies.

The company also under*took to increase the value of* services purchased from minority-owned advertising, banking, *legal and account*ing firms, and to work actively to increase the number of Texaco petrol stations owned by minorities and women.

"The era of the good old boy" at Texaco was coming to an end, the plaintiffs' lawyer said at the weekend.

Legal experts agreed that the out-of-court deal almost certainly helped the company avoid even heavier costs from punitive damages, and one stock market *analyst said the cost of 67* cents a share was "no big deal".

There was *also* a consensus that Mr Peter Bijur, the Texaco chairman and chief executive, had shown a masterly command of crisis management and damage control.

However, questions were still being asked at the weekend about the apparent failure or obstruction of Texaco's *communications* channels which left Mr Bijur with nowhere to turn on the *recent release of incrimina*ting tape recordings, made in 1994 by an employee who *has since left the* group.

Blithe talk on the tape of "all the black jelly beans seem to be glued to the bottom of the bag", and apparent references to destroying or concealing documentary evidence of Texaco's record in hiring, promoting and rewarding black staff, established the company's fate.

International media coverage and editorial condemnation followed, together with a succession of abject, outraged apologies from Mr *Bijur. The national reaction,* and quickly falling sales at Texaco pumps, amply demonstrated *that* condemnation of the company embraced a far wider demographic group than black Americans.

However, Mr Bijur's credibility wavered shortly after the settlement when he was confronted by a television interviewer with suggestions from conservative quarters that he had been the victim *of extortion.*

"I don't consider we were being threatened," he said. The company was not "impelled" to settle by warnings that, unless the issue was resolved by the weekend, the eminent civil rights spokesman Mr Jesse Jackson would call for a boycott of Texaco petrol stations, while the National Association for the Advancement of Colored People would campaign for shareholders to sell their stock.

The plaintiffs' victory, widely interpreted as further evidence that racial discrimination and repression of *black ambitions are still* widespread in corporate America, nevertheless also *provided substantial evi*dence of the rising economic power of the African Ameri*can population.*

Blacks are now about 13 per cent of the population, with estimated after-tax income of almost $400bn. Advancement up the socio-economic scale has progressed relatively speedily in the past few years.

Even at Texaco, by the company's own account, the percentage of minorities in salaried positions has risen from 15 per cent in 1989 to 22 per cent. However, in a tendency which has also affected women in business, their pay and progress rates have been substantially *lower than those for white* men.

Now, other companies may face demands for corrections to match the 10 per cent across-the-board pay awards offered at Texaco. Mr Bijur said he had been contacted by other business leaders anxious to see the lawsuit settled and to know *"how we are going forward"* to help put an end to discrimination.

It is too soon to discern whether the Texaco case will advance the cause, but America's blacks and other minorities are unlikely to ease the pressure. Even as the deal was being announced, Mr Jackson maintained his stern posture. The money award was only part of his aim.

"The settlement is a step in the right direction, but a comprehensive plan including goals and *timetables in* terms of employment and economic development is *still not on the table,"* he said late on Friday.

Beyond that, Texaco must *fulfil Mr Bijur's* emotional promise in a letter to employees in which he com*mitted* the company to the "elimination of any trace of discrimination".

It is a pledge other companies may find themselves increasingly pressed to keep. As corporate America learnt on Friday, lip service and financial settlements are unlikely to fit the bill in future.

Poll blow for Cardoso hopes

By Geoff Dyer in São Paulo

President Fernando Henrique Cardoso's hopes of securing a second term in office have been set back by Brazil's second round of municipal elections, which gave Mr Celso Pitta of the conservative PPB a convincing win in São Paulo, Brazil's largest city.

The result is a significant boost to the outgoing mayor, Mr Paulo Maluf, who is leader of the PPB. He is one of *the main opponent's of President Car*doso's attempt to amend the constitution so he can stand for re-election.

Mr Maluf is expected to use his party's strong showing in São Paulo and several other cities as a platform for his own presidential ambitions and to oppose the re-election amendment.

However, political analysts still expect Mr Cardoso to secure the amendment, for which he needs two-thirds support in the senate and the lower house. The government hopes to have resolved the issue by March.

The PPB has 91 of the 503 seats in the lower house, but its party discipline is weak and political analysts say Mr Maluf can only rely on around *half of those votes.*

According to Mr Bolivar Lamounier of the São Paulo Institute of Economic, *Social and Political Studies:* "If other political leaders begin to attack the re-election amendment, then Mr Maluf could be a tough opponent." However on his own, he would appear as an opportunist, Mr Lamounier said.

Some political observers believe Mr Maluf might postpone his presidential ambitions if the government supported him in a bid for the governorship of São Paulo state.

Mr Pitta, a Harvard-educated former accountant who was hand-picked by Mr Maluf, is the first black to be elected mayor of São Paulo. He secured 57 per cent of *the vote, comfortably* beating Ms Luiza Erundina of the leftwing PT.

In an election campaign fought mostly on local issues, Mr Luiz Paulo Conde of the conservative PFL won in Rio de Janeiro while Mr Célio de Castro of the leftwing PSB triumphed in Belo Horizonte, capital of Minas Gerais.

The PPB was the biggest winner, doubling its control of large cities from 7 to 14, while Mr Cardoso's PSDB also increased its number of mayors in big cities.

Labour party opts for referendum on Emu

By Robert Peston and James Blitz

The opposition Labour party yesterday said it would hold a referendum before taking Britain into European monetary union. But Mr Gordon Brown, the party's chief finance spokesman, said Britain could still qualify for "first wave entry" into Emu.

Mr Brown, one of the party's staunchest pro-Europeans, said he would use a speech tomorrow to spell out the possible benefits of joining at the first opportunity, with the intention of sparking a "national debate".

The referendum announcement is widely seen by Labour frontbenchers as a victory for Mr Brown's more sceptical frontbench rival, Mr Robin Cook, the shadow foreign secretary. Mr Brown denied this, insisting that he had agreed to the policy change as the only way realistically to keep Labour's monetary union options open. "I don't feel I have backed off in any way," he told the Financial Times.

Labour's previous policy was that it would only join a single currency with the consent of the people either in a general election or in a plebiscite. Mr Brown said that too many important questions about the shape of a single currency would remain unresolved by the time of the general election for the election to provide a proper mandate on the issue for an incoming government.

His fear was that, in the absence of the referendum pledge, Labour would be seen to have decided against joining at the 1999 launch date. "The feeling was growing that we were not considering first wave entry," he said. "The important thing is keeping options open. The referendum protects that position."

"I see it [the referendum promise] as an opportunity to talk about first wave entry", he said. If a Labour government decided to join, there would be "collective cabinet responsibility", he added, with all ministers obliged to argue for membership.

In the wake of Labour's referendum decision, Conservative Euro-sceptics piled more pressure on Mr John Major's government to make a new shift in European policy and rule out any possibility of sterling entering a single currency in the next parliament.

Mr Bill Cash, one of the leading Conservative anti-Europeans, said it was "highly dangerous" for the party that Labour had taken this step. "Labour's objectives are entirely cynical, but now they have taken this step we should rule it out," he said. In contrast, pro-European Labour MPs appeared somewhat grudging about the leadership's shift towards a referendum.

Mr Donald Anderson, a former Labour foreign affairs spokesman, said he was "sad" that the decision had been "handed down from on high, without any consultation within the party." Another pro-European labour MP said: "I don't think you can have a referendum on a single currency. It will soon degenerate into a slanging match over whether we should be in or out of Europe."

City of London economists said yesterday the Labour referendum announcement made it increasingly unlikely Britain would be among the first wave of countries entering a single currency in 1999.

Mr Stephen Lewis, chief economist at the London Bond Broking Company, said: "Prior to the announcement I would have put the odds against Britain joining at about 7 to 1, and this means they will have lengthened even more."

Additional reporting by Peter Marsh.

Nation may be alone in meeting EU aim on jobs

By Robert Taylor, Employment Editor

The UK is expected to be the only country in the European Union which will achieve the EU target of halving its unemployment by the year 2000, says a report to be published next month by the European Commission.

The main conclusion of the study, prepared at the London School of Economics for Brussels, will please the UK's Conservative government by focusing on the current success of its flexible labour market policies. It will also embarrass the Commission, which dislikes the UK's deregulatory approach to employment.

Halving unemployment by the end of the century in each EU country was the objective set by Mr Jacques Delors, the former EU president, in his 1993 paper on jobs and competitiveness. But the UK at present remains alone among member states in being set to achieve the target.

However, other important findings in the report have not met with the approval of the UK government. The report does not believe, for example, that the introduction of a national minimum wage at an appropriate figure would create unemployment. Nor does it believe EU social legislation has so far made a negative impact on the UK labour market.

British ministers were angry when they first learned that the report had been commissioned by Brussels without their approval. After protests to Mr Padraig Flynn, the EU's social affairs commissioner, they were allowed to make comments on drafts of the report. In their first response British government officials sent back 20 pages of criticisms and a further 10 pages on the second draft.

Each EU country is ordering a similar report on its labour market policies. Last week Mr Jacques Santer, president of the European Commission, criticised the UK government's objections to the introduction of a 48-hour working week by saying that some member states wanted a "sweatshop" economy.

Unemployment in the UK peaked at 10.5 per cent in early 1993, and is now 7.2 per cent. At the moment 18m people – or 11 per cent of the working population – are out of work in the EU.

Failure to organise development programmes 'is damaging competitiveness'

Manufacturers are warned on weaknesses

By Peter Marsh in London

The competitiveness of British manufacturers is being seriously weakened by their failure to organise long-term development programmes for staff and interface properly with suppliers, says a report published today by Ingersoll Engineers, a UK consultancy.

The study of 335 UK-based companies also says many engineering-based processes in these businesses involving such areas as tendering for new contracts and providing effective links between designers and production staff are "not performing satisfactorily".

The conclusion is that manufacturers are "running fast to stand still" in trying to gain ground on international competitors. Companies score low points for the general business skills summed up as "operational management". Ingersoll's study is based on ratings by executives of companies in the UK of how their own organisations perform in a number of key business areas.

It is a snapshot of how well managers feel they are functioning across a collection of important industries including automotive, chemicals, electronics, food production, aerospace and general engineering. More positive findings are that UK companies in these sectors rank themselves highly in financial management and sales and marketing.

They also have made significant progress in recent years in reorganising production processes to tackle such areas as quality and delivery times.

Many of these gains have been made through wholesale changes to companies' corporate structure, built around efforts to refocus management to solve customer problems and to use "teamworking" methods on the shop floor.

However the overall impact of these changes in raising competitiveness is patchy. "Long-term issues such as development of the organisation, people and manufacturing technology are ... unsatisfactory," the report says.

These failings, which spill over to such areas as market research and overall business planning, represent a "significant weakness" in efforts by UK manufacturers to attain "world class" status. The failings possibly reflect "the British preoccupation with maximising today's returns ... in contrast with the approach of many European and global competitors".

Sector scores

Distribution	+30
Financial management	+26
Manufacturing processes	+21
Sales and marketing	+12
Product development	+5
Quality control	+3
Business planning	-11
Design/production links	-11
Market research	-13
Information technology	-16
Training and people development	-18
Manufacturing technology	-18
Procurement/supply chain	-21
Operational management	-28

Note: scores based on "index of effectiveness" which for each factor can vary between +100 and -100. Index based on rating by companies of how they perform as either poor, adequate or good. For each variable, percentage of companies saying they were poor subtracted from those saying they were good (ignoring figures for adequate), to give overall score.
Source: Ingersoll Engineers

BBC in music link with Bertelsmann unit

By Alice Rawsthorn in London

The BBC is joining forces with BMG Entertainment, a subsidiary of Bertelsmann, the privately-owned German media and entertainment group, to market the publishing rights to music commissioned for its programmes.

Music publishing, which involves licensing the right to broadcast or perform pieces of music, is a fast growing and highly profitable business.

The BBC, the public-service broadcasting corporation, is one of the UK's largest commissioners. But until now it has allowed composers to retain the publishing rights to their work and has simply acquired the right use it when the programme is broadcast. Formation of a music publishing operation forms part of the BBC's strategy of exploiting its assets commercially.

Last year it appointed Mr John Willan, formerly a senior executive of EMI Music and head of the Royal Philharmonic Orchestra, to develop a business based on its musical properties.

Mr Willan, who has already started to release recordings of music from the BBC's radio and television archives, described music publishing as "absolutely the right thing for the BBC". In the past, he said, the BBC had lost substantial potential revenue by not owning the publishing rights to the music for successful series such as *Pride and Prejudice*.

In future the BBC will try to negotiate the right to market the publishing rights for all the music it commissions. It would then be entitled to collect royalties whenever that music is broadcast, performed live or sold for use in videos or multimedia packages.

Collection of such royalties will be administered by BMG Entertainment, which owns the RCA and Arista record labels, with a roster of artists including Whitney Houston, Toni Braxton and Mark Owen. Its music publishing subsidiary markets rights to the work of such stars as Annie Lennox and the Bee Gees.

The BBC is diversifying into music publishing at a buoyant time when the market is showing strong growth. Demand for music publishing rights is increasing with the launch of new television channels, and the fees for using music in feature films are escalating.

Competition is intensifying among record companies to administer potentially lucrative music publishing properties. Last month Noel Gallagher, songwriter for Oasis, the most successful UK rock band of the 1990s, clinched a multimillion pound deal to renew his publishing contract with Sony Music.

Industry leads way on buying in services

By Peter Marsh in London

UK industry uses more "outsourcing" – buying in goods and services from outside suppliers – than any other leading economy, says a study published today.

The Foundation for Manufacturing and Industry, a private sector research group, says industry, including manufacturing, services and energy, has sharply increased outsourcing since 1989 to increase competitiveness and cut costs.

According to the study, UK industry in 1994 bought in goods and services valued at 50.8 per cent of total output against 45.6 per cent in 1989. That amounts to extra purchases from other businesses of "outsourced" components and services worth about £66bn ($109bn) in today's prices.

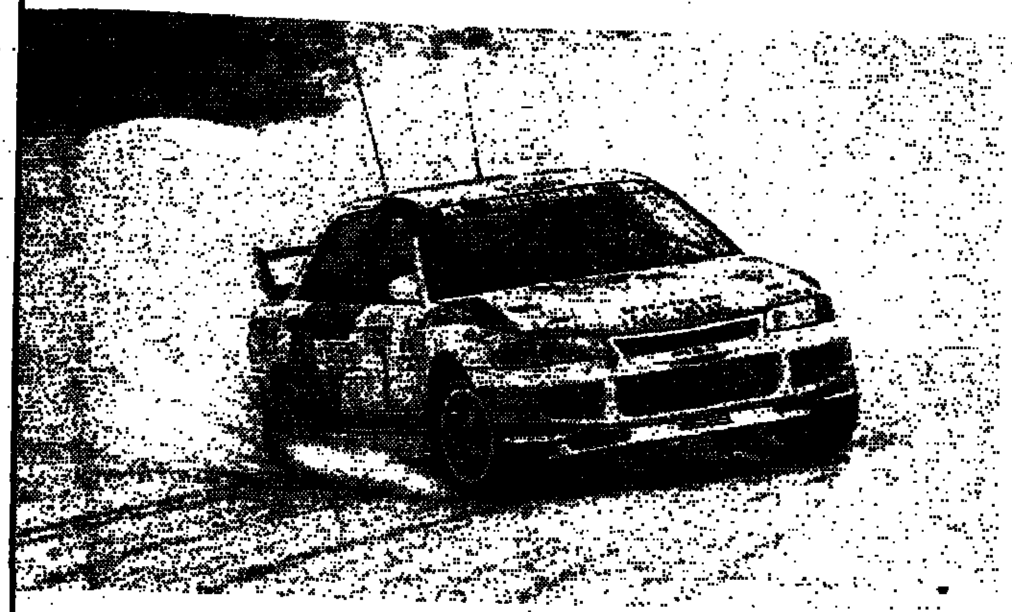
The research was organised jointly by the foundation and the Chartered Institute of Purchasing and Supply, a trade body for the purchasing profession.

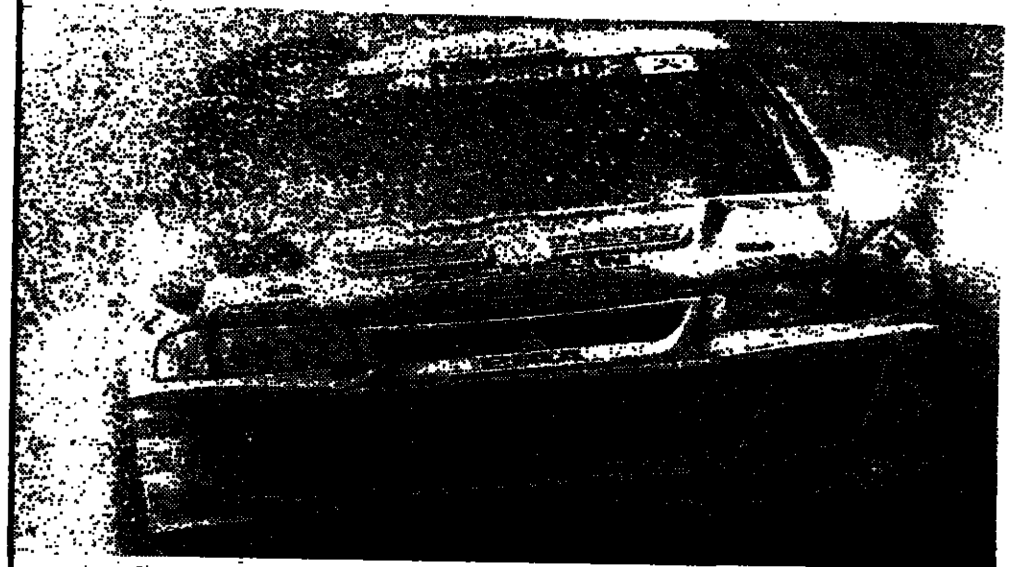
Professor Douglas McWilliams, chairman of the foundation's research committee, said yesterday the data in the study were consistent with the UK having overtaken Japan in recent years as "the most outsourced economy in the world".

He said this growth was a big opportunity for British companies which "are springing up ready to offer package deals to firms anxious to contract out part of their activities".

Sectors which have stepped up their use of outsourcing in the 1990s include public services and industries such as textiles, sporting goods, telecommunications, banking and finance, gas distribution, postal services and healthcare.

Areas of industry boosted by demand for their outsourcing services include plastics processing, general distribution, aerospace manufacturing, office machinery and metals packaging.


The Swedish Rally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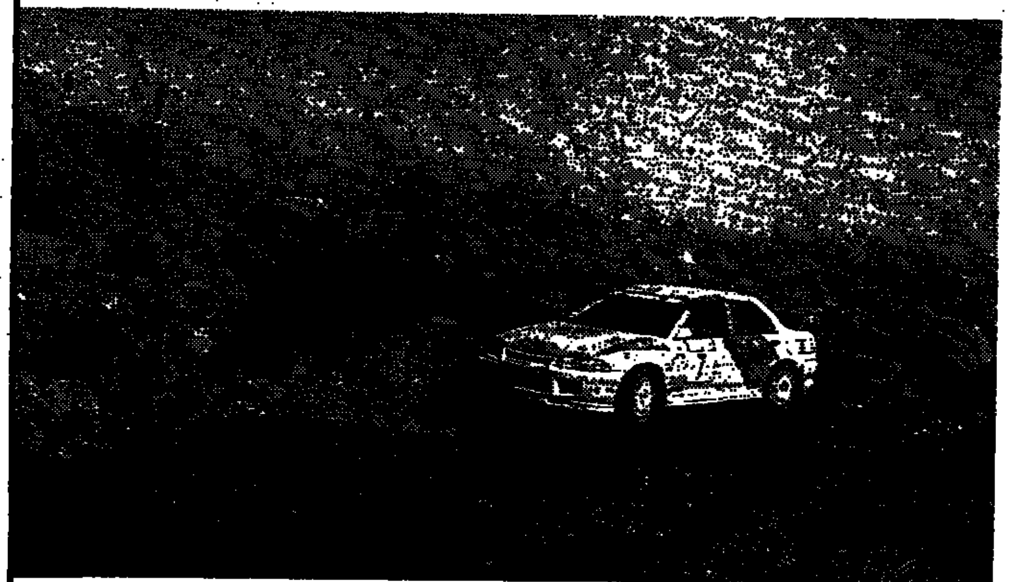
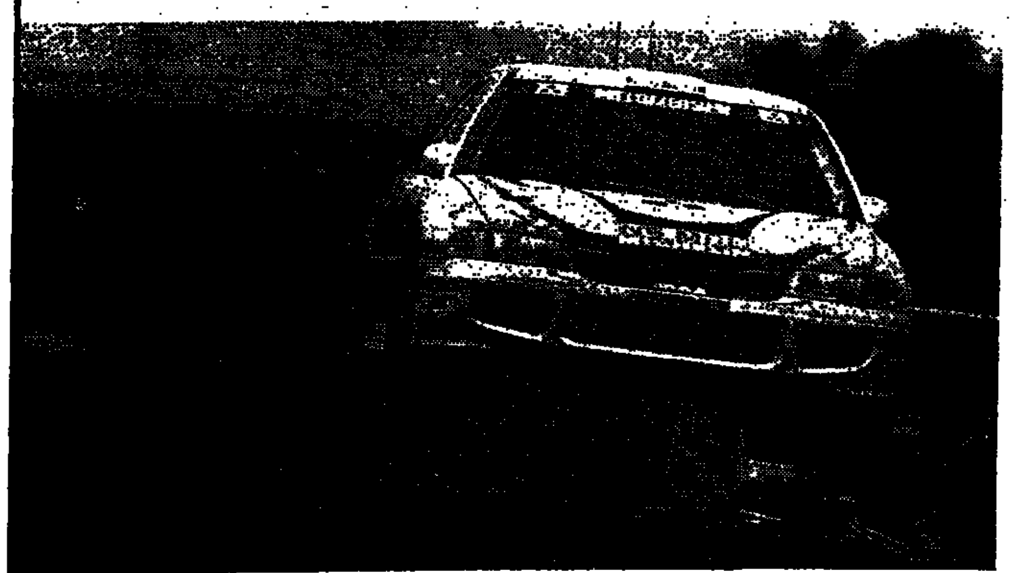

The Argentina Rally


The 1000 Lakes Rally


The Rally Australia

MITSUBISHI CLAIMS 5 OF 9 WRC RACES IN 1996

Driver's Champion
Group N Champion

Advanced technology proves unbeatable under harsh conditions worldwide.

We could, like most manufacturers, prove new technology for our production cars by running them around closed test courses . . . or subjecting them to repeated testing in research labs . . . or both. At Mitsubishi, though, we've always produced the best results by doing our development the *hard* way: in the inhospitable conditions of the international rally circuit. By our reasoning, anything that can endure the gruelling extremes of this worldwide series, should perform handsomely in normal daily driving. Our results this year would indicate we've done a lot better than just endure. Why not see for yourself what it's like to drive a winner?

FIA WORLD RALLY

Subject to the official publication of the results by the FIA

MITSUBISHI MOTORS

THE WEEK AHEAD

DIVIDEND & INTEREST PAYMENTS

■ TODAY
Aon $0.36
Banco Real 8½% Nts 1996 $425.0
Beazer Homes 4p
Coca-Cola 6% Nts 2000 $60.0
DFS Furniture 10p
English & Overseas Properties 0.3p
Gieves 0.75p
Groupe Chez Gerard 1.9p
HSBC Sb Clrd FRN 2008 $27.30
JIB 3.5p
McBride 4.45p
Merchants Tst 3.25p
Nat West Bank Jnr FRN $154.17
Do Var Rate Cap Nts 2008 $155.36
Nichirei 5% Bd 2000 Y500000.0
NT & T 7¾% Nts 1999 $77.50
NKK 6.1% Bds 1999 Y610000.0
Regent Inns 1.57p
Sekisui House 5.95% Bd 1999 Y595000.0
Spirax-Sarco Engineering 4.5p
Toyobo FRN Feb 1996 Y22157.0
Treasury 10% 2004 £5.0
Yrityspankki Skop Ser B Und Sb Var Rate Nts $166.46

■ TOMORROW
Atlas Converting Ep 7p
BTM Finance (Holland) A Dual Bd 2004 $30857.41
Do B Dual Bd 2004 $30603.24
Chime Comms 0.55p
Citicorp $0.45
European Inv Bank 7⅝% Ln 2003 IR£3.9375
Fisher (J) 1p
Fleming Smaller Co's Inv Tst 3.2p
NT & T 7¼% Nts 1996 $72.50
Panther Sec 1.5p
Treasury 10½% 1999 £5.25

■ WEDNESDAY NOVEMBER 20
Arcolectric 0.735p
Do A N/Vtg 0.735p
Avco Tst Gtd FRN 1998 £150.82
Bank of Scotland Und Prim Cap FRN $297.08
Caterpillar $0.40
Exchequer 12% 1998 £6.0
Fennica No 1 Class B Asset-Bckd FRN 2025 $3128.16
Finland (Rep of) 7¾% Bd 1997 DM77.50
Fintrust Db 9¼% Sev Db 2023 £4.625
Graham 1.9p
Portugal (Rep of) 9% Ln 2016 £225.0
Royal Bank of Scotland FRN 2005 £73.84
Treasury 2½% IL 2003 £2.4045
Treasury 2½% IL 2009 £2.4045
Wells Fargo $1.30
Wetherspoon (JD) 5.9p

■ THURSDAY NOVEMBER 21
Albright & Wilson 2.25p
Break for the Border 1.15p
British & American Inv Tst 1p
David Brown 2.65p
Fired Earth 1.1p
Ford Credit Europe 8⅝% Nts 1997 £86.25
Hamleys 3p
Japan Dev Bank 9¼% Gtd Nts 1997 $462.50
Konica 7.8% Nts 1997 Y780000.0
Sea Containers *Class A* $0.1925
Do Class B $0.175
Sherwood 1.3p
Thames Water *Utilities Fin* 10½% Gtd Bd 2001 £1050.0
Treasury 12½% 2003/05 £6.25
Wansum 1.575p
Yule Catto 3.6p

■ FRIDAY NOVEMBER 22
Adwest 5.5p
Barratt Devs 5.5p
British Fittings 1.35p
Brooks Service 1.2p
Bryant 3.6p
Cadbury Schweppes 5.2p
Capital & Regional Props 1p
Chase Manhattan Sb FRN 2000 $142.15
Conversion 10¼% 1999 £5.125
Doeflex 2.5p
European *Inv Bank 10⅝% Ln* 2004 £259.375
Gartmore Scotland Inv Tst 3.5p
Do Package Units £8.75
Hampden 0.6p
Int Energy 1.45p
Irish Life IR3.55p
Kawasaki Steel 7¼% Bd 1999 Y725000.0
Do 7¼% Nts 2000 Y725000.0
Kingfisher 5p
Kleinwort Charter Inv Tst 3.5p
LGS Invs 8¾% Sec Bd 2020 4.375p
Laing (John) 3p
Do A 3p
Lloyds Bank Ser B Var Rate Nts 1998 £149.88
Midland Bank Sb FRN 2001 £74.31
New City & Commercial Inv Tst 1.3p
Norcor 1.1p
Personal Assets Tst 115p
RAP 0.6p
Royal Bank of Canada C$0.34
Ruberoid 1.9p
SR Pan-European Inv Tst 0.25p
Strong & Fisher 0.2p
Trans-Tokyo *Bay Highway* 8⅝% Gtd Bd 2004 $418.75
Treasury 2½% IL 1999 £2.3136
United Inds 0.75p
Verity 0.1p
Watts Blake Bearne 4.4p
Wells Fargo Sb Cap FRN 1998 $143.75

■ SATURDAY NOVEMBER 23
Sunderland 11¾% Rd 2008 £5.875
Trinidad & Tobago 12¼% Ln 2009 £6.125

UK COMPANIES

■ TODAY
COMPANY MEETINGS:
Gartmore Smaller Co's Tst, Gartmore House, 16-18 Monument Street, E.C., 10.00
Waterman Partnership, *Apothecaries Hall, Blackfriars* Lane, E.C., 12.00
BOARD MEETINGS:
Finals:
Diploma
Fibernet
Jupiter Extra Inc Tst
McLeod Russel
Interims:
Capitol
Celsis Int
European Telecom
Jarvis Porter
600
Thorn

■ TOMORROW
COMPANY MEETINGS:
Frogmore Estates, 44, Grosvenor Square, W., 12.00
Hays, *RAC Country Club,* Woodcote Park, Epsom, Surrey, 12.00
Old Mutual South Africa Tst, 3, Finsbury Avenue, E.C., 10.30
Smith Industries, 765, Finchley Road, N.W., 12.00
BOARD MEETINGS:
Finals:
BOC
Cosalt
Euro Disney
Ferraris
Glasgow Inc Tst
Vision
Interims:
Baring Stratton Inv Tst
De La Rue
EMI
Enterprise Inns
Great Portland Estates
Mansfield Brewery
Merchant Retail
Mercury Euro Privatisation
M & G Inc Inv Tst
M & G Recovery Inv Tst
Norcros
Policy Portfolio
Rebus
Unigate
Vodafone
Whitecroft

■ WEDNESDAY NOVEMBER 20
COMPANY MEETINGS:
BBB Design, 25, Luke Street, E.C., 11.00
Intl Biotechnology Tst, Painters Hall, E.C., 9.30
Usborne, The Barn, Micheldever Station, *Winchester,* 12.30
BOARD MEETINGS:
Finals:
Century Inns
Granada
McCarthy & Stone
Interims:
Bradford Property Tst
CML Microsystems
Cable & Wireless
Chester Water
Courtaulds
Cranswick
Dawson Int
FKI
Heath (CE)
Kalamazoo
National Power
Northern Foods
Southnews
Tinsley Robor
UK Land
Wagon Indl

■ THURSDAY NOVEMBER 21
COMPANY MEETINGS:
Barratt Developments, Plaisterers Hall, London Wall, E.C., 2.30
FII Group, Britannia Inter-Continental Hotel, Grosvenor Square, W., 12.00
Maunders (John), Holiday Inn Crowne Plaza Midland, Peter Street, Manchester, 12.00
McKechnie, Savoy Hotel, The Strand, W.C., 3.00
Tradepoint Financial Networks, Simpsons, Strand, W.C., 11.00
Upton & Southern, 175, Linthorpe Road, *Middlesbrough, Cleveland,* 11.00
BOARD MEETINGS:
Finals:
Nursing Home Properties
Tomkinsons
Quadramatic
Interims:
Advent VCT
Avesco
Babcock Int
British Energy
Chloride
City of London PR
DBS Mngmnt
Gartmore Shared Equity Tst
Glenmorangie
Lowndes Lambert
Macdonalds Hotels
Man (ED & F)
Powell Duffryn
Safeway
Shires Inc
Storehouse
Tex Hldgs

■ FRIDAY NOVEMBER 22
COMPANY MEETINGS:
Bellwinch, Malcolm House, *Empire Way, Wembley,* 10.00
Graystone, Institute of Directors, Pall Mall, 10.30
Headway, Hilton National Hotel, Ainley Top, Huddersfield, West Yorks., 2.00
Pochins, Brooks Lane, Middlewich, Cheshire, 12.00
Renishaw, Gables Hotel, Falfield, Wotton-under-Edge, Gloucestershire, 12.00
Tay Homes, Queen's Hotel, *City Square, Leeds,* 2.30
BOARD MEETINGS:
Finals:
GWR
Interims:
Break for the Border
Hardy Oil & Gas
Hyder
Osborne & Little

Company meetings are annual general meetings unless otherwise stated.
Please note: Reports and accounts are not normally available until approximately six weeks after the board meeting to approve the preliminary results.
This list is not necessarily comprehensive since companies are no longer obliged to notify the Stock Exchange of imminent announcements.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Pool purchase price £/MWh	Pool selling price £/MWh	
[illegible]	[illegible]	[illegible]	[illegible]

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Pool purchase price £/MWh	Pool selling price £/MWh	
[illegible]	[illegible]	[illegible]	[illegible]

Decline of the Roman retailer

DATELINE

Rome: swift and intelligent support measures may yet save many of Italy's threatened small shopkeepers from extinction, writes **Robert Graham**

A large hand-written notice has gone up on a shop-front in central Rome, sadly stating: "After 60 years we're throwing in the towel." The shop has been a specialised seller of socks, stockings and underwear, and inside a clearance sale is in progress. A morose looking assistant is trying to convince a group of tourists that the special-offer socks at give-away prices are of real silk.

Once the tourists have left, the shop owner's wife launches into a resigned account of why they are closing. It runs like this: "There's no money in it any more. Taxes are too high, the rents are going up, the city administration is impossible to deal with, staff are too expensive; the children don't like shop-work, customers are spending less."

This litany of woes is obviously real. But the shop was obviously conceived and run with a different era in mind. For instance, the men's side was part of a time when mothers and wives automatically bought socks and underwear for their menfolk. The window display has remained emporium-style with a profusion of stock crammed into every available space. Yet inside, everything is invisible, packed away in perfectly made wooden boxes.

In the historic centre of Rome the plight of this shop is far from unique. During the past year I have seen several well-known landmarks close and the use of the premises change to underline the evolving habits of the city.

The best known candle-maker, which stocked an amazing assortment of wares from huge altar candles to garden flares amidst bottles of vintage wine, has closed down. In its place is a money-changer for tourists. A 100-year-old stationer has packed up and been replaced by an "Irish Pub". One of the largest bookstores has moved to smaller premises, replaced in quick succession by a trendy dress shop and then a pizzeria.

Such anecdotal evidence of the crisis of family-run shops in Rome's centre is born out by the cries of alarm from traders' associations in Rome and countrywide. Last week Confesercenti, the association which represents only small shop-keepers, warned Rome would lose 3,500 shops this year. Countrywide in the last three years 140,000 small shops have closed.

In many ways Italy is merely experiencing now a phenomenon that has already long affected northern Europe. Shopping habits are changing with smaller families, different work patterns and competition from supermarkets and discount stores.

For several reasons Italy has been slow to experience this trend. For a start, shop-keepers have been a powerful political lobby and an important pillar of support for the Christian Democrats, who ruled the country without interruption from the end of the second world war until 1992. They benefited from an unspoken pact that their tax returns would not be inspected too vigorously.

The latest analysis of tax returns, for 1993, has revealed that the majority of the shop-keeper employers declared earnings lower than their employees! According to the ministry of finance, more than three-quarters of traders said they earned below L30m (£12,050) a year. Employees declared average earnings of L38.8m a year against L19.4m by employers, little more than a pensioner.

This unspoken pact has now been broken by the need to put Italy's public finances in order. Indeed, the tax returns were released during the current 1997 budget discussions precisely to head off a wave of protests from traders about plans to raise taxes and combat evasion.

Few believe the treasury has been getting its due from shop-keepers. Equally, it is increasingly clear that many stores have been kept afloat largely because tax evasion has provided the difference between a meagre and a reasonable living. To impose a tax squeeze now almost automatically threatens many with closure. No wonder that the right-wing opposition was able to get more than 500,000 into the streets of Rome to protest against higher taxes earlier this month.

The shop-keepers are also being hit from another direction. The economy has been stagnating, with real wages declining in each of the past three years. Not only is each family spending less per month but spending patterns have altered sharply.

In the past 15 years, according to Istat, the state statistics institute, the proportion of a family's monthly budget devoted to food and drink had declined from 31 per cent to 21 per cent. Just as noticeable has been the fall in spending on clothing and shoes, down from 10 per cent to 6 per cent. In contrast, the amount accounted for by non-consumer items has risen sharply.

Against a background of all-round belt-tightening, the small shop does not have the turnover to cut margins to compete with supermarkets and discounts stores, where prices are often a good 15 per cent cheaper. Between 1990 and 1995 the number of supermarkets grew from 3,370 to 4,780.

In an effort to protect small traders, 94 deputies last week signed a petition for a law imposing a three-year delay on the licensing of supermarkets. The hope is to provoke a serious debate about the disappearance of small shops and its impact on the social fabric of cities. In Italy it is still not too late for intelligent supportive measures, whereas in places like Britain matters have swung irrevocably the way of superstores and uniform shopping centres.

The Monday Profile: Alain-Dominique Perrin, Cartier

A good friend of women

Few people have personalities imposing enough not to be swamped by an office with a brown and white chessboard for a floor and a small forest of abstract bronze sculptures. But Alain-Dominique Perrin is one.

The chairman of Cartier, the venerable French jeweller, is an ebullient figure of 54 with a wiry beard and deceptively delicate gold glasses on a vigorous face. He bounds around his office at the top of Cartier's headquarters in central Paris, tossing a Central Intelligence Agency golf ball from one hand to another with a rollicking laugh.

His good humour seems justified. Sales of luxury goods are soaring worldwide, and that augurs well for Cartier, which has dominated the market for expensive watches and jewelry for decades. "We're No 1 and everyone knows it," beams Perrin. "Our only problem is staying there."

The quest to "stay there" involves constantly refining the company's activities, which this month entails the launch of its first new jewelry collection in five years and opening its 168th store in Buenos Aires on Thursday as the prelude to aggressive expansion across Latin America.

Cartier looked very different when Perrin arrived as a graduate in 1969 to find a company consisting of four shops in Paris, London, New York and Geneva which made most of their money from private commissions, such as the 22 tiaras ordered for Edward VII's 1909 coronation. The son of a Nantes businessman, Perrin planned to stay for a few years to learn the ropes before leaving to set up a business of his own.

He began by selling a new range of cigarette lighters, which was Cartier's first attempt at diversifying beyond jewelry. Three years later he was put in charge of a new project to develop a less expensive collection of watches called Les Must de Cartier, targeted at people who could not yet afford a real Cartier watch for several thousand dollars but longed for the reflected glory of its brand name.

At the time, Perrin was criticised by the Parisian jewelry trade for allegedly devaluing the grand old Cartier name. But by 1981 Les Must represented the majority of Cartier's sales, its launch became a business school case study and, at 39, Perrin was appointed chairman of the Cartier group.

The global luxury goods business has since expanded dramatically, as *nouveaux riches* consumers in the established markets of western Europe and North America have splashed out on totems of old money, and lucrative new markets have emerged.

Perrin has made the most of the market's growth by opening new stores across the world, as well as the 6,000 "Cartier corners", or concessions, tucked into duty-free zones and department stores.

Private commisions still represent a sizeable chunk of Cartier's sales, generally producing several orders for jewelry costing $1m or more each week. They also play an essential role in enhancing the brand's prestige, yet the company makes most of its money from the main Cartier collections and Les Must.

To this end Perrin has invested heavily in modernising the brand's image, notably by staging contemporary art exhibitions at Fondation Cartier, the modernist glass palace designed as the group's French headquarters by Jean Nouvel, the futuristic French architect responsible for the chessboard floor in the chairman's office.

Cartier's fastest growing market is among economically independent women treating themselves to their own jewelry. The new jewelry collection, which is simpler in style than the diamond-studded teddy bears featured in past designs, is aimed directly at these women. The Tank Française, the new watch launched in April as the successor to the heavy, circular Pasha which Cartier introduced in 1985, is cast in a similarly self-effacing style.

"They're subtle, elegant and so classic that they look as though they've been around for ever," says Perrin. "Perfect for today." So far, he says, the Tank Française has achieved higher sales than any new watch in Cartier's history. Perrin declines to disclose exactly how many Cartier has sold, or any other aspect of its finances. As a subsidiary of Vendôme, the conglomerate of luxury goods companies controlled by South Africa's powerful Rupert family, Cartier keeps its finances under wraps. One analyst recently described it as being "as secretive as a Swiss bank".

Yet no one disputes Perrin's claim that Cartier is still "No 1". Despite the rise of Gucci, Prada and the other Italian luxury companies now challenging France's dominance in fashion and luggage, Cartier still dominates jewelry and Perrin only acknowledges one competitor in watches: Rolex. When he mentions his rival's name, the Cartier chairman clenches his fists and throws a couple of punches.

Alice Rawsthorn

FT GUIDE TO

Prisons and penology

UK prisons have been in the news again. What was the problem this time?
Several, actually. The Prison Service announced that a shortage of prison space meant it had to lease a disused RAF base to house prisoners and might even need to resort to police cells. The High Court also ruled that the service had been calculating sentences incorrectly for the past 15 years. Some 50 prisoners were released early over the weekend and 800 more are likely to be affected.

Sounds like a bad week.
Very bad. It was made worse when Sir David Ramsbotham, the new chief inspector of prisons, published a report warning that capital cuts had effectively stifled strategic planning by the Prison Service. He also said that overcrowding and underfunding were threatening recent gains made in improving prison conditions.

We have heard that before.
Yes, it's been a continuing theme this year. Since the Strangeways prison riots in 1989 the government has made a sustained effort to improve squalid prison conditions and reduce overcrowding, both with some success. Unfortunately, since 1992 the UK prison population has soared from just over 40,000 to its current total, a new record, of 58,000. As the entire Prison Service only has a capacity for 59,000, the system has finally reached breaking point, hence the emergency measures.

What's caused it?
Basically, judges are sending more people to prison than they used to, although no one is entirely sure why. In part it is due to a rise in violent crimes, which tend to receive custodial sentences, but the main reason seems to be that the courts have just become tougher.

Are things likely to get worse?
Yes. Even with the early releases forced by last week's court judgment, the prison population is expected to breach 60,000 by next March. Meanwhile, Michael Howard, the home secretary, is trying to pass new legislation to introduce a range of mandatory sentences for repeat offenders, drug dealers and violent criminals. If the proposals become law that will lead to the number of prisoners rising by at least another 11,000.

Sounds expensive.
It is. Howard promises that if the new law passes, the government will provide extra money to build 12 new prisons during the next 10 to 15 years. At least 10 new prisons are needed to cope with the rising prison population anyway. However, on current Home Office plans the Prison Service is expected to cut spending by 13.3 per cent during the next three years. Richard Tilt, the director-general, has warned this is now impossible without jeopardising security and conditions.

How will the government square that circle?
Partly by using private prisons. Four of the country's 135 prisons are privately managed, with three more being built using the private finance initiative. The government aims to have about 10 per cent of prisons under private management, although the Labour party has said it would scrap the programme if it comes to power.

Do private prisons work as well as publicly run prisons?
The evidence is mixed. There have been some embarrassing escapes, but on balance private prisons seem to work.They were praised both in last year's Learmont report into prison security and last week's submission by Sir David. And they are 10-20 per cent cheaper to run than state prisons. That fact is being cited by the Treasury as proof that the service can generate sufficient efficiency gains to compensate for the budget cuts. But Tilt says the main reason private prisons are cheaper is because they pay lower wages.

Do other countries use them?
The US is home to a wide range of big, private prison companies, several of which are involved in consortia running the UK's new initiatives.

Mandatory sentences have also become widely used in the US, helping it to create the world's largest prison population, about 1.5m.

Running the service sounds like a tough job.
It is, and a risky business, too. After Derek Lewis, Tilt's predecessor, was sacked last year following the Learmont report the government was unable to find an outsider willing to take the position despite an attractive salary.

Since then morale across the service has been very low. It has been aggravated by incidents this year ranging from controversy about the chaining of pregnant women to the mistaken release of more than 500 prisoners due to inaccurate sentencing guidelines last August. About a quarter of prison governors are rumoured to be considering early retirement.

Can anything be done to improve matters?
The Prison Service last week announced a big re-organisation of its central management to help prevent incidents like the August sentencing fiasco. It might also help pre-empt matters like last week's court ruling. But the big issue is still money. Governors are waiting anxiously for the Budget to discover whether the Treasury has agreed to relax its projected cost-cutting regime. If it hasn't, then prison conditions are likely to deteriorate further – and staff morale with them.

Mark Suzman

Stephanie Flanders • Economics Notebook

Emu race taxes nations' patience

Qualifying for monetary union may be all pain and no gain

Forget, for a moment, the normal arguments about European monetary union: whether it will happen, whether it can work, the implications for national sovereignty and the like. Forget them and consider just the balance-sheet so far. Has the battle for a single currency brought Europe any closer to solving its economic problems?

To many critics, particularly London-based ones, the answer seems obvious – No. To their eyes, meeting the criteria of Maastricht has been all pain and no gain. The last thing countries such as Germany and France needed to do as they stumbled into recession last year was to start cutting their budgets. Yet Emu has forced them to do precisely that.

Ah yes, fans of Emu would reply, but bad timing is not the same as bad policy. True, it would have been preferable for countries to be seeking to qualify for a single currency at a time of economic strength. But better to impose painful – but necessary – reforms when activity is weak than not at all.

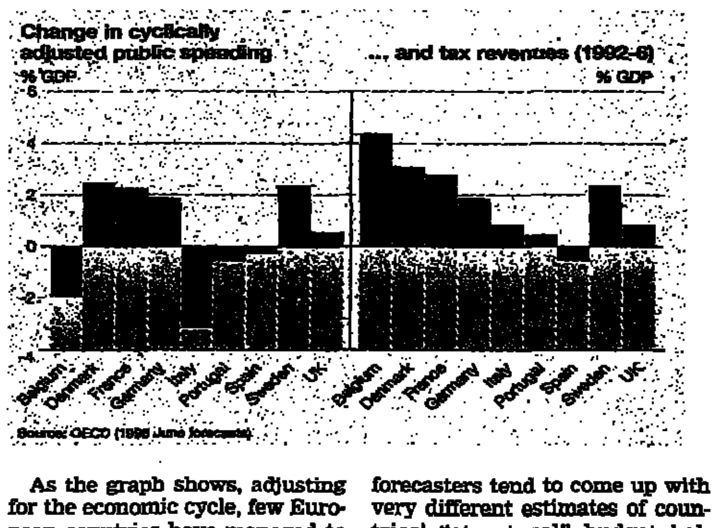
It hurts, such proponents would argue, but it will eventually work. Participants in the Emu race will thank the framers of the Maastricht criteria for having pushed them further, and faster, toward sound economic policies than they would ever have gone by themselves. And the Euro area will be stronger for comprising countries which have grasped the mettle of reform before joining.

Suppose we accept this first argument, and ignore the unlucky timing of the lead-up to Maastricht. And suppose, even more generously, that all of the progress continental European governments have made reforming economic policy since 1992 can be attributed to a desire to prepare for Emu. How much has been achieved?

Europe is said to have two chief weaknesses: inflexible labour markets (making for high unemployment), and excessively high levels of government spending. The hardly buried subtext of Prime Minister John Major's response to last week's European Court ruling on the 48-hour week was that, Emu or no Emu, one could expect little support from Brussels in addressing the first.

Major's criticism of the working hours directive was overdone. One, watered-down directive which aims to give workers the chance to have a break once in a while does not an over-regulated labour market make. It is fair to say, though, that progress on loosening up more damaging aspects of Europe labour legislation has been patchy, at best, in the years since the Maastricht Treaty as signed.

But what of government spending? Surely that must have been reined in by the frantic race for Maastricht? Not necessarily. True, nearly every country in Europe has reduced its structural budget deficit since 1992. But previously unpublished calculations by the Organisation for Economic Cooperation and Development, obtained by the FT, suggest that the bulk of the improvement has been achieved through raising taxes.



As the graph shows, adjusting for the economic cycle, few European countries have managed to cut public spending as a share of GDP in their efforts to qualify for Emu. There are exceptions. Belgium and Italy have both reduced "structural" public spending significantly as a share of GDP since 1992. But even in these countries, the tax share has also risen. Meanwhile, the spending share has risen by more than 2 percentage points in France and Denmark, and by nearly the same amount in Germany. Much of the decline in these countries' structural deficits has been achieved through tax increases and, in most countries, reduced debt servicing costs.

As always, such calculations should be handled with care. Adjusting the figures to take account of the economic cycle is notoriously tricky, and different forecasters tend to come up with very different estimates of countries' "structural" budget balance at any given point. Equally, though the figures are cyclically adjusted, the balance between spending cuts and tax increases may have improved with more recent deficit cuts. In France, for example, cyclically adjusted spending has remained roughly constant since 1994.

Even taking the figures at face value, there is a more obvious objection: that it does not matter how countries cut public borrowing as long as the end result is the same. Yet recent research by two economists, Alberto Alesina and Roberto Perotti, suggests that it does indeed matter. Analysing the effects of attempts to cut deficits in OECD countries since the mid-1970s, they conclude that those which rely primarily on tax increases are much less likely to last than those based on cutting benefits and the public sector wage bill. Relying on tax rises is more likely to slow economic growth, whereas targeting spending has often been expansionary.

Their findings also have a bearing on more recent debates about whether countries should be allowed to fudge their way into Emu. In their view, even countries which appear to be doing the "the right thing" – reducing spending rather than simply increasing taxes – may fail to reduce borrowing over the long term if the spending cuts are focused on public investment or are simply one-offs. In Italy, for example, they believe that a large portion of the spending cuts achieved since 1993 – through reduced capital spending and postponement of social security payments – will turn out to have been one-hit wonders.

The OECD plans to include an analysis of the composition of recent European deficit cuts in its next six-monthly survey of economic prospects in the OECD, published next month. Perhaps the organisation's economists will draw more encouraging conclusions about the durability and likely economic impact of the race for Emu. Few would thank them for the suggestion that all the debates, the strikes and the special budgets may have been in vain.

Fiscal Adjustments in OECD countries: Composition and Macroeconomic Effects. National Bureau of Economic Research, Working Paper 5730. August, 1996.

Time to pull back the screen

Japanese multinationals may follow Canon's example and shift power overseas, says William Dawkins

Japanese companies have never been good at managing their operations abroad. In spite of a fresh wave of foreign investment driven by a high yen, many are still organising themselves along Tokyo-centred rather than multinational lines.

They are hyper-cautious about taking on foreign management, as shown in Honda's reluctance to buy Rover, which allowed BMW of Germany to snap up the UK company two years ago. And the number of top Japanese companies with foreigners on the board is tiny: Sony, Mazda and Mitsubishi Corporation.

Some of Japan's top international companies are considered to have lost control of their foreign operations. For example, Sony has failed to bridge the culture and communications gap between Tokyo and its New York base; and Daiwa Bank was expelled from the US following its illicit bond-dealing loss in New York last year.

Author Malcolm Trevor's 1983 book, *Japan's Reluctant Multinationals*, was one of the first to explain how hard it was for Japanese companies to devolve control to managers in their new European operations. It embodies an archetype which is still largely true to life, but which may at last be starting to change. There are now signs that some of Japan's exporters are allowing head offices to loosen their grip from Tokyo: this is under the influence of more global markets, much tougher competition on their hitherto well-protected home base, and the long-term slowing in the growth of their domestic market.

Canon, the computer printer, copier and camera company, is a revealing example. Over the past decade it has devolved significantly more management control to foreign subsidiaries, hired a greater proportion of foreign staff and management, and culled more ideas from abroad, than is the Japanese norm.

Mr Fujio Mitarai, Canon's president, argues that the factors that caused the company to loosen its Japanese ties in the first place are becoming increasingly relevant to other manufacturers. If he is right, Canon's experience carries a wider message.

Canon's globalisation entered its most radical stage to date last summer when the group shifted world responsibility for a series of key research projects away from its headquarters in the sleepy Tokyo suburb of Shimamaruko to the US, France and Britain. It was a decisive break with the previous practice, still widely followed by other Japanese companies, of keeping nearly all research and development at home.

This is only the latest of a typically Japanese series of small steps of continuous development, which began in 1977 under Canon's chairman Mr Ryuzaburo Kaku, as the practical expression of his philosophy of *kyosei*, or working for the common good, to contribute to the stability of consumer markets.

Mr Mitarai believes that in the next two decades or so it will lead to the creation of a "full global system" of Canon regional headquarters, each with world responsibility for the development, manufacturing and sales of particular products.

"The Tokyo headquarters cannot know everything. Its job should be to provide low-cost capital, to move top management between regions, and come up with investment initiatives," he says. "Beyond that, the local subsidiaries must assume total responsibility for management. We are not there yet, but we are moving step by step in that direction."

What caused Canon to try to go global? The answer starts at the very foundation of its business, as identified in Mr Kaku's plan: technology. Over the past decade research and development has accounted for between 6 per cent and 7 per cent of sales – Canon's biggest single expense, even exceeding capital investment.

Canon's R&D has been a management textbook success story. It invented bubble jet and laser beam computer printers in the late 1970s, in which Canon now has world market shares of 30 per cent and 65 per cent respectively, according to industry estimates. This has allowed it to ride on the boom in personal computers and reap a steady recurring income from selling parts, such as ink cartridges, on which the profit margins are said to be larger than on the printers themselves. Printers have been a big contributor to a more than doubling in net profits to \$534.3m (£323.8m) in the three years to 1995.

It is no surprise that Canon's share price rose more than 40 per cent over the same period. The big question now, reflected in a gently declining share price over the past four months, is what new gizmos will provide growth in the future, as competition in computer printers intensifies.

Until recently, Canon used to trawl the world for bright ideas and plant them in its Japanese laboratories for development. While bubble jet and laser printers were Japanese discoveries, the software that controls them was imported from the US.

In recent years importing inspiration has become harder, says Mr Toru Takahashi, director of R&D. He belives this is partly because the growing US venture capital industry snaps up the best ideas first, and partly because applications of the technologies relating to Canon's core business, the handling of images, have become saturated.

For all their diligence, Canon's research workers alone cannot fill that gap. "We used to think that we should keep research and development in Japan, but that has changed. As for creativity, we have to admit that the Americans are better," says Mr Takahashi, citing as an example a hyper-accurate optical character reader, which does better than the human eye, to have emerged recently from its US lab.

"But the Americans say the UK is the best place to find ideas and the British point to France for inspiration. So now we are looking for a sort of global orchestra, in which say, the first and second violin might be in Japan and the cellos in France," says Mr Takahashi.

The first step in that direction took place at the turn of the decade, when Canon set up five overseas R&D centres, now employing 15 per cent of its R&D staff. The second was in July, when Canon gave its US research unit global responsibility for software, followed by a French global telecommunications research unit in August, and an automated language translation centre in the UK, also with a global remit, to start under a new UK team next October.

Looking downstream of R&D, Canon has, admittedly like many other Japanese manufacturers, shifted production overseas to reduce reliance on high Japanese costs. Foreign output is now 30 per cent of the total, three times the level of a decade ago, and targeted to rise to 40 per cent by the end of the decade. That in itself is not startling, by comparison with Japanese pioneers of overseas production such Aiwa, the audio company, which has 86 per cent of its production overseas. However, revealingly, Aiwa still keeps all its research and development at home.

What is significant is the extent to which Canon has moved staff and management responsibility out of Japan. About half its staff work abroad, up from 30 per cent a decade ago. Of the 40,000 workers outside Japan, only 900 are Japanese. They negotiate volumes and price of product purchases with headquarters and send annual budgets to Mr Mitarai for approval. This is an unusually hands-off relationship when compared with other large manufacturers which are well-known for large central bureaucracies which closely watch the tiniest detail of monthly expenses. Even so, the transition is incomplete. Canon, for example, has no foreign board directors. Mr Mitarai says that could change.

Canon's need to tap into foreign technology and to service a computer peripherals market that is largely non-Japanese has helped it to become multinational faster than most of its compatriots. But the fact that Canon is unusual does not mean, argues Mr Mitarai, that all Japanese companies find it harder than western ones to become global.

They have simply been late to do so partly because they are relatively young – Canon was founded as a camera company in 1947 – and partly because a protected and fast-growing domestic market gave them little incentive, until the yen started to take off 15 years ago, to go offshore. Even after the recent wave of foreign investment, Japanese industry's overseas production is far smaller, as a share of the total, than that of the US or Germany.

But the home base has become less secure. The Japanese economy has gone into a mature phase and the gradual dismantling of domestic barriers to foreign competition has forced Japanese companies to fight harder to defend their share of a more slowly growing domestic market.

As a result, the only way they can increase international revenues without provoking more trade tensions is to integrate more fully than is the case now into foreign markets. There is no special Japanese quality to hinder them from doing this. "From now on, I am sure that Japanese companies will be able, and will need, to become multinationals," concludes Mr Mitarai.

If Canon, a pillar of the Japanese corporate establishment, has already moved in that direction, there is good reason to believe that others might follow.

Fergus Wilkie

Concentrating on the issue: Gordon Roddick (left) and John Bird

PARTNERS

The Big Issue

Gordon Roddick, 54, chairman of The Body Shop, and John Bird, 50, started the Big Issue in 1991. They now have 3,000 homeless vendors selling the magazine throughout the UK. Since 1995, their profits have gone into the Big Issue Foundation, which provides education, advice and housing units. Annual turnover is £7m.

John: "I met Gordon in a pub in 1967. We had a row about who had the largest nose and became friends from then on. The Big Issue was his idea. He'd been to New York and seen Street News, a magazine for homeless people, and thought it could work over here.

After The Body Shop's initial investment, he made clear that if it didn't work out, I couldn't come crying for more money. He was quite brutal, but supportive. Gordon wanted a business solution to the homeless problem, rather than a charity. We shared the same view: that self-help was the only way forward.

A lot of social initiatives lack a hard-nosed person like him. He was there to say: "Great idea, but where's the money coming from?"

He's very much my mentor. Sometimes I go to meetings feeling dejected and full of Catholic guilt and he'll say: "Don't play God, you can only do so much." It's very refreshing to hear that. After one of our former homeless employees stole £11,000 it was Gordon who said: "Don't put temptation in the way of people who've had so little and had to put up with so much." It was a social lesson, as well as a big business lesson for me.

I listen to his advice, but never feel the need to genuflect because he runs a multinational and I run a small publication. We're straight with one another. As a partner it's not always a mutual admiration club. Sometimes he pisses me off and vice versa, but whatever happens, we remain great mates."

Gordon: "John was the first person who sprang to mind when I wanted to start the Big Issue. He'd not only been homeless in his youth and had lived around the raw edges of society, but he was a good writer and had experience in the printing industry.

From the beginning we knew it had to operate as a clearly defined business and that any profits would be channelled back into social ventures to help the homeless.

The great thing about John is that he isn't afraid to say when he doesn't know. He often rings me to ask what I think of a, b, or c and I usually say: "You're crackers" and try to re-focus him. I only ever offer my advice, it's entirely up to him whether he takes it or not.

When the magazine became profitable he wanted to branch out into small trading initiatives. One of the problems of success is that you think you can do no wrong and want to spread all over the place.

If you spawn a business, it's important to break away, like the Body Shop did with the Big Issue.

John is someone who listens to logic in the end, but he's pretty damn canny and tends to be over-emotional. I have to have a well-prepared argument to deal with him, otherwise he shouts me down. He's lovely, but he's also perpetually exhausting, because once he's got an idea in his head, he's pretty damn hard to shift."

Fiona Lafferty

Rummage for some commonsense ideas

Lucy Kellaway

"Would it be too much to write down your basic ideas on management?" writes Sofie Sonck, a student at Ghent university. "Our management professor set us a task. We have to analyse Lucy Kellaway's articles from the Financial Times." Putting to one side the bizarre nature of the assignment and the suspicion that ideas in the Ghent management faculty may be running at a low ebb, I feel her question nevertheless deserves an answer.

But what *are* my "basic ideas" on management? My mind is *alarmingly, embarrassingly* blank. It's a bit like being asked what are one's basic ideas on life. However, *I have rummaged* about a bit, and come up with the following. Most of it is glaringly obvious, but then that goes with the territory. Any management theory that is not commonsense is likely to be wrong.

- Good management means happy staff, shareholders, customers. Bad management means mutinous ones.
- Management is one of the most difficult jobs going, and is harder now than ever because everything is changing more quickly.
- Most people are bad at it, some very bad. Hardly anyone can do it well. Good managers need to be both hard and soft, decent and ruthless, brilliant and thorough, and they are few and far between.
- In view of the above, the market for management consultants, *trainers, gurus*, business schools and business books is expanding apparently without limit.
- *While most of the management* help industry is of dubious value, managers do need the experience and advice of wise outsiders. But to follow that advice blindly – as many companies do – is, of course, idiotic.
- Any new management technique that comes with a catchphrase is suspect. It almost certainly will not suit the company in question, and even if it does, the management will probably screw it up in the application.
- You can't teach an old, or even a middle-aged, dog new tricks. People who are rotten communicators do not become better by virtue of having been on a course, or read a book. Improving and changing is a long, painful slog.

The above is not going to be of much help to Ms Sonck and her classmates. Fortunately if they want longer lists of management principles they will not have to look far. Two books released this month are full of them: *Jungle Rules, How to be a Tiger in Business* by John P. Imlay Jr, and the *Soul of the Firm* by C. William Pollard, chairman of the ServiceMaster Company. One contains 20 rules, the second just beats it with 21.

The tiger book is full of such tips as "Jungle Rule #9: If you capture dinner, you get to eat it", or "Jungle Rule #19: If you want to feast again, get hungry again." The style of the other book is softer, infinitely more meaningful. "Principle 20. We are all prisoners of our hope. It is our hope that sustains us, and it is our vision for what could be that inspires us and those we lead."

It also contains a new way of fudging the latest corporate debate on people versus profits. At ServiceMaster they do not seek to maximise profits, but to "celebrate" them. I wonder what they do about losses. Commiserate with them, I suppose.

The first will appeal to the frivolous, the second to the sanctimonious. But to the average manager going through the daily grind of meetings, problems and memos, the one will be as irrelevant as the other.

LucasVarity is a state-of-the-art company and wields all sorts of fancy management tools such as Economic Value Added. Its cull of managers, now almost complete, is a case in point. Victor Rice, the chief executive, boasted last week that the process by which the company has decided who to keep and who to junk has been "leading-edge in scope and objectivity".

Apparently all existing managers have been subjected to three-hour interviews, psychometric tests, and numeracy and reasoning exercises. Each has been "benchmarked" against other managers, and anyone who has failed to match up is out of a job.

The exercise strikes me as expensive, unpleasant and unnecessary. It is all very well to do this sort of thing if you are testing people you do not know. But any halfway-decent company should know which of its managers are up to scratch and which are not.

And for the record, when it is *my turn to be culled* I would rather the process were opaque. That way I could at least take comfort in telling myself that it was all unscientific, and that I was just as good as the people who made the grade.

BUSINESS EDUCATION

Design calling

It is not unusual for business courses to encompass design skills. Rather more unusual is to train experienced designers to be effective managers.

But such is the mission of Naomi Gornick. Graduates from her MA, Design, Strategy and Innovation course at Brunel University are working hard in companies such as Waterford Wedgwood, Rover, Panasonic and Motorola.

Gornick has been running the course at Brunel since 1988 and believes its hallmark is its industry focus.

Students have a fixed internship as part of the year-long course. "What we are trying to do is design evangelism," says Gornick. "We put these people directly into companies so that they can move into the bloodstream."

Although not a traditional master of business administration course, Gornick believes her course is equivalent. "We want to equate ourselves to the MBA."

Della Bradshaw

Victoria Griffith on how managers can tackle signs of substance abuse in staff

Chemical reaction

Picture this scenario: a once-reliable executive crawls bleary-eyed into the office at 10.15. His secretary tells him he has already received a number of telephone calls, but that none of the callers was willing to leave a message. At noon the executive heads off for lunch, stopping by a colleague's office first to borrow a little money. When co-workers look for him after lunch, he cannot be found.

Most people would recognise this as a clear sign that something was wrong, and they would be right: the executive described above, who still works at a US manufacturing company, had developed a cocaine addiction, and was selling the drug to support his habit.

In Europe management attitude to drink and drug abuse is often to ignore the problem until employees are beyond help, quietly shuffling them into non-critical jobs. But a growing number of companies in the US are running training courses for managers to enable them to spot signs of trouble before the situation gets out of control.

A study released in October by the Hazelden Foundation, which tracks substance abuse problems, found that 60 per cent of Americans work for companies that run such courses.

That does not mean that most American companies are rife with abuse. "I wouldn't say it's common, but it does happen, and we have to train managers to be prepared for it," says Susan Comeau, head of human resources for State Street Bank in Boston.

The move is as much financial as altruistic. According to a survey conducted earlier this year by Conference Board, a New York-based business organisation, substance abuse problems alone cost US businesses $200bn (£122.6bn) a year.

If managers are concerned, they must strive to remain objective, advises Brenda Blair, president of Blair Consulting, which counsels corporations on substance abuse. "Managers should not try to diagnose the problem. They should just stick to the facts."

One problem is that substance abuse symptoms are not always easy to distinguish. An employee who shows up late three days in a row with bloodshot eyes may be an alcoholic, or may simply have a young baby at home.

Managers should be armed with plenty of facts before confronting the employee. "The evidence should be documented over a period of weeks," says Deborah Chapin-Neebe of the training group Value Behavioural Health. "The manager should be able to say something like: 'You were more than a half-hour late three days last week. We think you may have some personal problem that's interfering with your work and would like to refer you to a physician.'"

Trainers say common signs of substance abuse include:

- Physical symptoms, such as red eyes, trembling hands and unsteadiness. While these can be among the most obvious signs they are also the easiest to misdiagnose.
- Absenteeism, tardiness and early departure. Absenteeism will usually follow a definite pattern, occurring most frequently on Mondays and Fridays, or before and after a holiday. "The excuses will often be bizarre, like grandmothers dying three weeks in a row, or three root canals in a month," says Blair.
- Mood swings, particularly before and after lunch. "One group of workers told me they prayed their manager wouldn't call a meeting in the afternoon, because he'd be so drunk he'd have forgotten it all by the next day," says Blair.
- Complaints from co-workers over personal issues. Regularly borrowing money from colleagues is usually a red light.
- A drop in work performance.

Co-workers should not try to cover up for the employee or turn their heads, say trainers. Chances are, they will one day get so fed up they will be all too eager to complain.

NEWS FROM CAMPUS

Pound for pound funding proposal

The Association of Business Schools, the UK trade body, has proposed that the government attract funding for higher education through a matched funding initiative – a system popular in the US – in which a course or project is jointly funded by government and individuals or companies.

Matched funding has already been used by Oxford University to raise the £40m needed for its proposed business school named after Syrian-born entrepreneur Wafic Saïd.

The proposal comes in the association's submission to the Dearing Inquiry investigating the future of higher education.

The association also proposes that the allocation of funds for higher education courses should be made according to student demand rather than university edict; that quality standards should be introduced and carefully monitored; and that business courses should be made available to all undergraduates.

ABS: UK (0)171 837 1899

Technology delivers a course for change

Insead has announced the first of a series of one-day workshops developed at Calt, its Centre for Learning Technologies.

The workshop, which will take place in March, will concentrate on change management. It will be based on a multimedia simulation which encourages managers to implement change in a fictional organisational setting.

Insead: France, 1 60 72 43 27

Theseus keeps in touch with its roots

Theseus, the international management institute in the south of France, has decided to maintain its links with France Télécom after the privatisation of the phone company.

France Télécom, which helped establish Theseus, will retain its shareholding in the school along with companies such as Hewlett-Packard. The school is expected to become independent in three or four years' time.

Theseus Institute: France, 4 92 94 51 00

Travel News · Roger Bray

Competition cost

Cut-price UK airline easyJet may be forced to double its proposed fare from Geneva to London's Luton Airport because of lingering Swiss resistance to unbridled competition. It plans to launch services on the route next February with single fares from London starting at £49.

Chairman Stelios Haji-Ioannou says that under the existing inter-governmental air agreement, he will have to charge a minimum of about £90 one-way for seats bought in Switzerland.

But with easyJet's customers booking by credit card, the rule may be impossible to police. As Haji-Ioannou points out: "If people ring up to reserve seats and choose not to tell us where they are calling from, we'll have no way of knowing."

Hertz expands

Business travellers in Yemen are to be targeted by hire-car company Hertz as it moves into the country, claiming to be the first international rental company to do so. The rental giant has franchised Universal Travel & Tourism in Sanaa, the capital. It proposes to operate 16 outlets in the country's leading cities. But take advice on areas to avoid. The UK Foreign Office warns that "armed theft of vehicles, particularly of four-wheel drive models, is not uncommon".

Tunnel perks

Eurostar customers will need to make eight round-trips in a year in Premium First class to earn "gold" status in the Channel tunnel operator's new frequent traveller programme. Gold status gets you perks such as free parking at Ashford International and invitations to Paris movie premieres. For those who don't collect that many points, instant "blue" status brings 10 per cent off standard Avis European rates.

Tongue-tied

Learning even a few words of another language remains a relatively low priority for business travellers, a Mori survey from Inmarsat, the satellite communications company, suggests.

They were asked what research they did before leaving the office. More than half said they checked out the political climate of the country they were visiting. Security and safety were the main obsessions. Nearly a quarter briefed themselves on local telecommunications. But only 15 per cent mugged up on the language.

Karachi care

Business travellers to Pakistan are urged to avoid arriving in Karachi at night and to ensure they are met at the airport.

As the country's political crisis drags on, life in the city is punctuated by sporadic street fighting, random shootings and intermittent general strikes, warns the UK Foreign Office.

Food for thought

When it comes to eating out, there are few more dazzlingly eclectic cities than Toronto. You can even snack in an Ethiopian shopping mall. But where should you entertain that business contact?

Gourmet Magazine in the US plumps for Truffles at the Four Seasons Hotel as Toronto's top restaurant overall. And it rates the same hotel's all-day Studio Café best for business meals.

Likely weather in the leading business centres

	Mon	Tue	Wed	Thur	Fri
Tokyo	16	14	14	[illegible]	15
Hong Kong	21	23	24	23	24
London	6	3	[illegible]	[illegible]	[illegible]
Frankfurt	5	4	1	2	2
New York	10	9	[illegible]	[illegible]	[illegible]
L. Angeles	22	23	24	25	24
Milan	10	[illegible]	[illegible]	[illegible]	[illegible]
Paris	5	3	1	3	4
Zurich	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Scheherazade Daneskhkhu on how to tackle empty hotel restaurants

Can you squeeze us in?

Walk into any of the successful restaurants to have opened recently in London and New York and you will probably have to fight to get a table. But step into most hotel restaurants and they are likely to be more than half empty.

Many hotel restaurants are a problem. They have to be there because guests expect them, but too often they suffer from a lack-of-identity crisis, making them boring places to eat and a financial drain on the hotels.

The hotel restaurant is not a problem in many cities in Asia and Africa, where it is easily the best place in town for a meal. But in the US and Europe, it faces relentless competition, from expensive and fashionable new restaurants to branded chains and fast-food outlets.

Forte, the UK-based hotel group now taken over by Granada, hit upon one solution by renting two of its London hotel restaurants to star chefs. Marco Pierre White cooks at the Hyde Park Hotel while Nico Ladenis reigns at Grosvenor House. More recently the Savoy group has opened Vong, a French-Thai restaurant, at its discreet Berkeley hotel in London.

Now Holiday Inn is launching a two-pronged assault on the problem. In Europe, Stefan Berg, who has a background in branded retailing, was recruited in July to the new job of director of food and beverage development for Europe, Middle East and Africa. His mandate is to come up with a strategy for the hotel chain's restaurants in Europe.

"We recognise that a hotel restaurant is predictable. No one startles or surprises you," says Berg. Instead of catering to guests only, he believes the hotel should try to appeal to people living within a short driving distance. "If you are deciding where to go out and eat in Europe, a hotel would be way down the list of options. We want to change all that and make the hotel restaurant more of a destination," he says.

Berg says the group will target the mid-market restaurant sector, where people spend about £15 a head, early next year. He believes a single restaurant brand would be unsuitable for the hotels which vary from the four-star Crowne Plaza down to Holiday Inn Express. Instead he intends to identify the restaurant market around each hotel to see if there are gaps, and then aim to fill them.

In the US, the group has just given franchisees of its core full-service Holiday Inn hotels the option of doing away with the restaurant altogether.

Guests will wander into an emporium of branded outlets, such as Little Caesars Pizza Express, Blimpie quick-service sandwich bars and Taco John's Mexpress. Ned Barker, director of franchised food and beverage services at Holiday Inn Worldwide, says: "Customers like the idea of seeing brands they recognise. We might make a very good pizza in our restaurant but the customer doesn't recognise that. When you put in the brand it causes more credibility."

Holiday Inn introduced these "convenience courts" in January alongside hotel restaurants. But last month it added a hot breakfast to the offering and will allow franchisees to replace the hotel restaurant with this new "convenience café."

Meanwhile, as you eat your pizza in the room, you can turn on the television, not to watch a programme, but to surf the Internet. Maid, the online supplier of business information, has devised a system with Thorn Business Communications which gives hotel guests direct access to the Internet via the television remote control instead of a keyboard.

Grosvenor House in London will roll out the service to all 454 rooms by the end of the month. What guests get is a menu of topics from the Internet, including news and sport, share prices and local information on restaurants and theatres. After a short free browse, Grosvenor House will charge £10 an hour to use the system.

Maid expects the service to be most business travellers' introduction to the Internet but seasoned users will be able in time to order a keyboard from the hotel for comprehensive access.

Take evading action

With air traffic forecast to double by the end of the next decade, fear of a mid-air collision, perhaps over some densely populated city suburb, is the stuff of frequent flyers' nightmares.

The disaster near Delhi has concentrated minds on the problem. What can the business traveller do to minimise the risk?

The answer is to make a nuisance of yourself. If you are flying long-haul in the developing world or the former Soviet Union, ask whether the airline's fleet is equipped with a traffic conflict avoidance system. This flashes visual and audible warning signals on the flight deck if another aircraft is too close.

The intensity of these alerts varies according to urgency. Such systems are known to have prevented collisions but are not yet mandatory on all the world's airliners. All American carriers are suitably equipped following an order by the US Federal Aviation Administration in 1993 that all aircraft in US airspace be fitted with the system.

Foreign carriers flying to the US were thus obliged to install the system. British Airways, for example, has fitted the system throughout its long-haul fleet and has equipped most of its short-haul aircraft.

However, it is not compulsory elsewhere, even in Europe. The initial view of safety authorities was that in Europe's crowded skies, hazards caused by spurious alarms might outweigh the benefits of real ones. There is some justification for their reservations. One crucial difference is that European air-lanes and airport approaches are off limits to random private flyers, while those in the US are not.

To install the system on a jet already fitted with the latest electronic flight information systems costs about $85,000 (£52,000). But it can be more expensive to protect aircraft which are past their prime. Sadly, it is precisely in those areas of the world where it is most needed, that older aircraft are most prevalent.

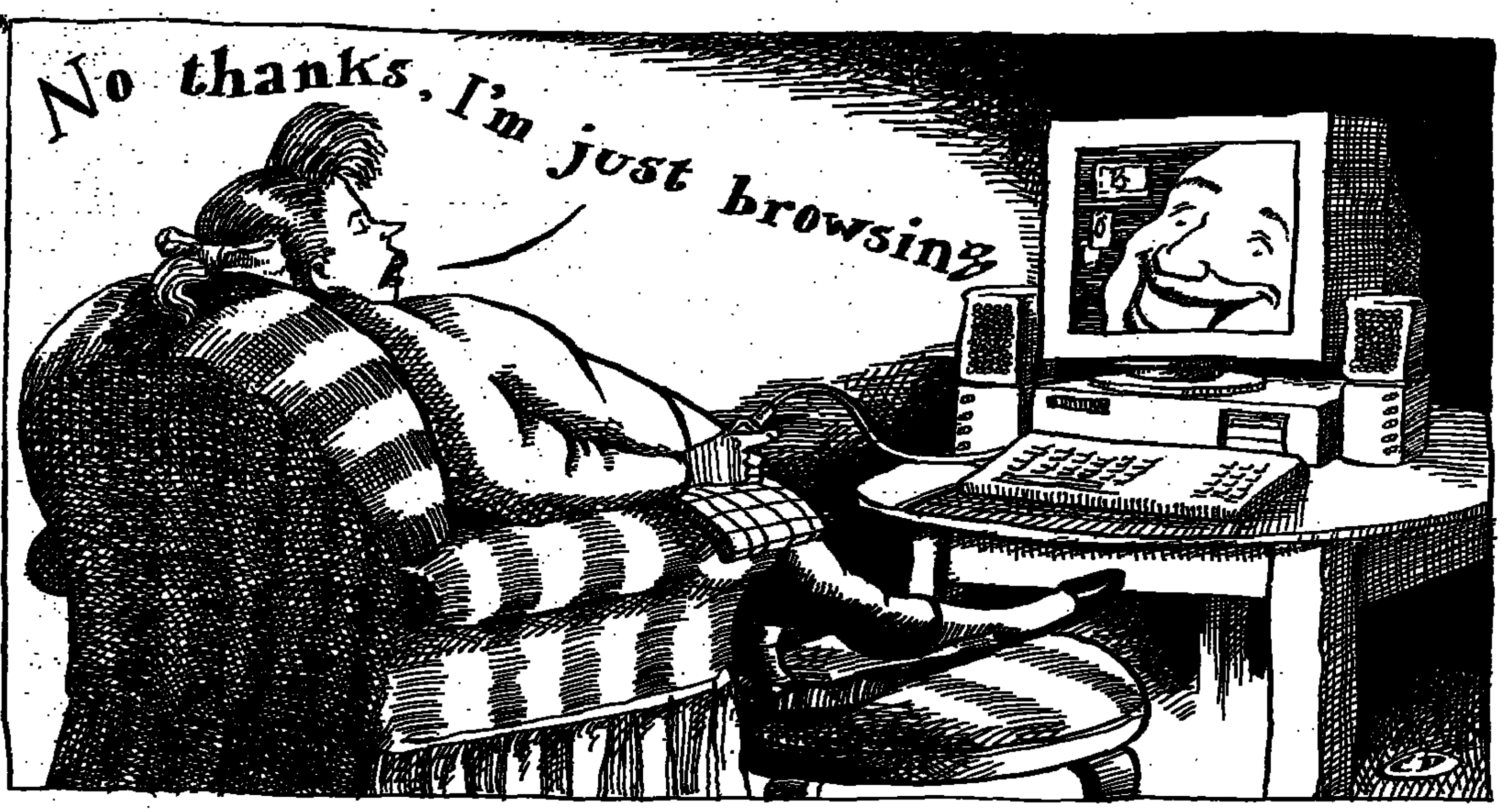
Africa, where radar hardly exists except close to airports, and air traffic control is described by one leading pilot as "critically deficient", is a prime example. Tony van Heerden, a captain for South African Airways, is a fervent advocate of the traffic conflict avoidance system. Says van Heerden, who is also a past chairman of of the International Federation of Airline Pilots' Associations' accident analysis committee: "For those of us who fly in the African region, [the system] is indispensable. Without this warning system, it feels, I imagine, as it would tapping a white stick as you cross a busy highway. You spend a lot of time hoping nothing hits you."

Traffic across the continent has increased dramatically in recent years and problems are exacerbated during the period of the Haj pilgrimage to Mecca. But, as van Heerden notes: "Numerous navigation beacons are permanently out of service", primary communications are mainly by high-frequency radio, and VHF is the exception rather than the rule.

Sometimes the only way for pilots to stay in touch is to keep calling air traffic control, or stay permanently tuned to a high-frequency band, which becomes intensely irritating because of the persistent noise it makes on the flight deck. Van Heerden believes that, but for a system of in-flight broadcasts by pilots, on a frequency agreed by the International Civil Aviation Organisation, collisions would have occurred already. As it is, the frequency is sometimes desperately overloaded, and transmissions are often blocked by simultaneous broadcasts from pilots who are out of each other's range.

No wonder, he grumbles, that erosion of accepted separation between aircraft, near misses, and avoiding action by pilots take place with "monotonous regularity".

Roger Bray



Tailor sews up the Net

A once staid-seeming clothing retailer will this week establish an electronic beachhead by means of 1,200 Web pages, writes Raymond Snoddy

The Burton Group, the UK's second largest clothing retailer, is a name that until a few years ago was associated with the staid and the traditional. But this week it will display an unprecedented commitment to the Internet and electronic publishing.

Tomorrow the group will launch Web sites containing 1,200 pages devoted to its stores and products, giving it what it believes will be the most extensive retail presence on the Net – a long way ahead, for example, of the 700 pages available from Sears in the US. The launch will even take place in Burton's own Internet café – Intercafe – in Great Portland Street, just off London's Oxford Street, where potential shoppers will be able to get electronic information on styles and offers in Burton shops such as Topshop and Dorothy Perkins.

Burton's commitment to the Net is the idea of Burton chief executive John Hoerner, the Nebraskan who in four years in charge has turned a company losing £185m into one which in the current year made £151m profit. For Hoerner, who likes all the latest technological gadgets and who pilots his own plane, the move to the Net is part of a learning process and a determination to follow customers wherever they may be about to go.

Burton is using the Net software developed by Conde Nast, the magazine publisher which has won awards for Web sites produced for its magazine titles such as *Tatler*, *Vogue* and *GQ*.

The new Burton Web sites – which involve simple moving colour images as well as still pictures and text – are devoted to all the Burton store groups, such as Debenhams, Burton's Menswear, Evans, Principles and Topman and Topshop.

The pages go far beyond showing new styles and new product lines. There are quizzes, competitions, student pages, store directories and locations of Burton stores around the country. There will also be monthly columns by top models such as Laura Bailey and even Dean Holdsworth, the Wimbledon footballer.

Surfers will be able to e-mail questions to columnists. Undesirable questions will be filtered out.

Surfers will be able to e-mail questions to columnists such as Laura Bailey, although undesirable questions will be filtered out. The Burton Websites will also provide the company with considerable market research on the tastes and attitudes of at least part of its customer base: those with access to the Net. John Hoerner's learning exercise is part of a shift by Burton into home shopping through the recent acquisitions of Innovations and Racing Green.

Burton 2 Home shopping is one of the areas where the Net and electronic information could have greatest impact. However, Hoerner is cautious about the speed at which he wants to move to electronic transactions and to use of the new Web sites to sell Burton products as well as promote them. But if all goes well there could be an electronic Burton store within two or three years.

Burton's decision to launch 1,200 pages of information on the Net is an important sign that the Net is being taken increasingly seriously by mainstream retailers. "This is a very important indication that the Internet is growing up, when Burton, the second largest clothing retailer, makes such a commitment to it," says Nicholas Coleridge, managing director of Conde Nast.

The publishing group always intended to make its Net software available to other companies. By using compression technology and interlacing the words and pictures, the company has produced pages that are delivered almost instantaneously to PC screens. Every month Conde Nast gets 85,000 to 100,000 visitors to its sites, which offer everything from *Tatler* restaurant reviews to up-market property advertising.

Hoerner will watch closely to see whether or not Burton's customers behave in a similar fashion.

Tim Jackson

Fax you can trust

You have just set up in business on your own, and need to have your phone answered, your mail opened and your faxes forwarded to you while you are on the road. You can't afford a secretary, so what do you do?

Until recently, the only places where you could expect to find a "virtual office" offering these services were a few big cities in the US.

In places where the start-up culture is weaker, you had to rely on fax machines, answering machines and a willing friend or spouse to tend them in your absence.

Earlier this year, however, a revolutionary new service was launched which delivers 80 per cent of a virtual office for 20 per cent of the price. It is called JFAX Personal Telecom, and it provides you with a phone-cum-fax number to give to business contacts. When messages arrive, they are turned into e-mails and forwarded to you immediately across the Net, allowing you to pick up voice mails and faxes whenever you check your e-mail.

What makes the service unusual is that it allows you to keep an "office" in a city you have never visited. For $12.50 (£7.50) a month (plus 25 cents per message after the first 100), JFAX customers anywhere in the world can acquire local numbers in New York, London, San Francisco, Chicago, Atlanta, Los Angeles, Toronto or Boston.

The parent of this brilliant idea is Jaye Muller, a 24-year-old rock musician born in East Berlin, who lost patience during a European tour in 1994 with the process of having faxes forwarded from hotel to hotel.

After moving to New York he launched JFAX in May 1996 in partnership with his record producer, paying the start-up costs partly from the proceeds of a single that received a lot of play on MTV. The JFAX system in each city works by using a Unix server attached to the Net at one end and to a block of incoming lines at the other. With 30 incoming lines, the server has enough capacity to take incoming calls or faxes for 3,000 customers, each of whom is assigned a different, permanent dial-in number.

Incoming voice mails are encoded using the GSM mobile telephony standard; faxes are converted into TIFF graphics format. The messages are then sent across the Net as e-mail attachments. With a standard fast modem and a dial-up connection to a Net service provider, the owner of the phone number can retrieve the messages in about the same time it took to leave them.

Muller is already planning for expansion. New "offices" are set to open in Tokyo, Johannesburg, Paris, Hong Kong, Tel Aviv, Bombay, Beirut and elsewhere. At this week's Comdex computer trade fair in Las Vegas, the company will launch a service that catches up with other companies that allow customers to use e-mail to send faxes as well as receive.

In a few weeks, the system will be ported to the World Wide Web, allowing people to check their voice mail and faxes from any Web-connected computer, such as in a colleague's office or in a cybercafé.

Muller is planning to offer pager notification so that customers can be beeped when a message comes in, and also a voice gateway so they can dial in for voice messages from a public phone and have their faxes read to them by a computer.

The company has also launched a program rather like *Amazon.com*'s Affiliates, in which Web sites that forward new clients to JFAX receive a 5 per cent commission on revenues.

So far, Muller says the company has funded its growth from cash flow, and has not spent a penny on advertising or marketing. It is not looking for venture capital. "We always want to have something else brought to the table," he says, "not just money". So where is the market for such a service?

One possibility: globe-trotters who want to keep in touch with friends. Another: small companies that want to look international or want to provide a local contact point for clients overseas.

Some make the outgoing message on their JFAX number sound as though it is on a machine in a physical office that just happens to be unattended. A recent write-up in The New York Times cited the example of a clothes designer who moved from the US to South Africa, and used the JFAX service because his clients were reluctant to call him in Cape Town.

The trouble with these markets is that American clothes designers in South Africa are few. The globe-trotters have to find e-mail everywhere they go, which is expensive and difficult, unless you like CompuServe. And the small businesses occupy an odd no-man's-land: high-tech enough to be familiar with e-mail, not so high-tech that their clients are familiar with it, too.

I don't think you could build a Netscape on this business model. But there is a third target market which could be very big: "road warriors" fed up with having to go through three separate processes to check voice mail, e-mail and faxes.

JFAX is negotiating a deal with Texaco to equip hundreds of its sales people with unique fax-and-phone numbers in Houston. The system also offers a bonus for people in big companies who are fed up with waiting half a day for faxes to reach their desks.

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Germany's home shopping revolution starts to hot up

Online sales fuel great hopes, writes Frederick Stüdemann

After decades of restriction, shopping in Germany recently became an easier affair when legislation for the liberalisation of trading hours took effect. In what has been portrayed as a revolutionary commercial and social development, Germany's consumers can now shop until 8pm on weekdays and 4pm on Saturdays.

In addition, home shopping is also entering a new era as Germany's retailers look to the possibilities offered by television and new media. Many of the country's big retailing groups have made significant investments in multimedia, the broadly defined arena in which telephony, TV services and computers are merging into a single – sometimes interactive – whole.

Investments range from the simple establishment of a home page on the Internet and selling through online services to the production of a catalogue in CD-Rom form and tentative involvement in TV home shopping.

The projected rewards of these developments sound impressive. According to research by BBE Unternehmungsberatung, a Cologne-based consultancy, in 10 years multimedia shopping will account for as much as 7 per cent of total annual German retail turnover, which stands at around DM700bn (£283bn).

Such forecasts sound even more impressive when it is remembered that Germany has already taken enthusiastically to home shopping. Mail-order sales were worth about DM40bn last year. For this reason, Germany is seen as an ideal place for multimedia retailing.

Quelle, a big mail order company which has been one of the most active in the rush to new media, says it has already seen positive results. According to Patrick Palombo, manager of Quelle's new-media activities, the company already does DM65m worth of business on T-Online, a service owned by Deutsche Telekom.

And it says its traditional mail-order activities, which generate sales of about DM8bn, have not been affected by this new business. "These are new customers, fresh blood," says Palombo, who estimates that in 10 years Quelle will derive 10 per cent of its business from new media.

As part of a diversified new-media strategy, Quelle has also produced CD-Roms which differ in style and content to its traditional catalogues; launched a service on the Internet; and invested in Home Order Television (HOT), Germany's first TV shopping network.

HOT, which went on air a year ago and at present reaches 6.5m households, imitates US networks such as QVC, a Pennsylvania-based network, and the Florida-based Home Shopping Network. Both mix cheaper prices (in jewellery, the most popular product line, mark-ups are typically 60 per cent as against 400 per cent or so in traditional stores) with entertaining presentation.

In the US, TV home shopping sales are running at about $3bn annually. QVC leads the market with $1.6bn, while HSN had sales last year of $1.1bn. And both networks have started to move into Germany. HSN has taken a 29 per cent stake in HOT, which has forecast sales of DM65m for 1996, while QVC – already operating in Britain in partnership with the Rupert Murdoch-controlled BSkyB – will soon launch its own network in North Rhine Westfalia.

Germany's attraction to companies like these is not only the proven success of local home shopping – the opportunity to buy underwear while sitting in your underwear, as HSN chairman Barry Diller puts it – but also the size of the market. "You need to work within large television markets as the costs of live-broadcast home shopping are so high," says Michael McMullen, head of HSN's international operations.

While home shopping may produce lower prices for consumers, for the networks it is costly.

"We have to set up the equivalent of a retail store. We need an operation to source products and store them. These are things a typical TV station does not do," says McMullen.

The extent of the sourcing operation can be gauged by the fact that about 15 per cent of products shown on a given day on HSN are new. To store them, the company has two warehousing facilities employing about 1,000 people. And there are 2,000 telephone operators to take orders and deal with customers' queries and complaints. "Add it all together and it becomes quite labour intensive," says McMullen.

There are also other disadvantages. "With TV shopping you have to wait. It's linear. It's one item at a time. If you want to buy a cashmere sweater in the morning, you may have to wait until the evening until it's shown. It's not efficient," says Diller.

The great change, Diller believes, will come when technological convergence makes it possible to offer interactive home-shopping services on the Net.

Diller estimates that sales via the Net will take off in two to three years, once the necessary convergence of technologies has taken place and greater data transmission speeds are readily available. In Europe, development of home shopping on the Net may even be faster, especially in Germany, where network digitalisation is already highly advanced.

Cyber sightings

● Is it remotely possible that the Web is becoming more useful? I suspected as much when I was able to find the lyrics to a song that had been bugging me all day in about two minutes the other night. In the same vein, and realising that simplicity is everything, the new site from merchant bank Schroders (*www.schroders.com*) is clear and straightforward. As a test I tracked down the phone number for their Melbourne office in four clicks. No-nonsense stuff.

● A new site dedicated to Bermuda business (*http://bermuda-inc.com*) has been set up as a joint venture between the Bermuda International Business Association and the Bermuda stock exchange. Nicely designed, it has links to a range of resources related to doing business on the island, including a searchable directory.

You'll also be entered in a draw to win a holiday in Bermuda if you register before December 15.

● If you're interested in health and fitness, an e-zine called Balance (*www.balance.com*) has recently relaunched with some good articles, including one on why computers are a pain in the neck.

It's particularly aimed at the growing number of women Web users and does a pretty good job.

● The Wall Street Telecommunications Association (*www.wsta.org*) is a forum for IT workers specifically in the financial community and represents 160 firms in the New York area.

The site has lists of upcoming events, seminars and assorted membership benefits.

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Michael Thompson-Noel • Sport

Britain's belated bid to escape Skid Row

Lotteries are wonderful. They create a small amount of angst, primarily amongst toffee-nosed naysayers – puritans, economists and nerdy editorialists. And they cause a tiny amount of social damage by spreading gambling addiction into a few homes that it might not have sullied.

Against that, lotteries – which are the classic mode of long-odds gambling (small *stakes, daunting odds, fantastical prizes*) – are powerful engines for social and cultural good, and generate much gaiety.

Soon, I reckon, there will be a world lottery, possibly run by the United Nations and modelled, more than likely, on the UK's well managed, skilfully marketed and vividly successful national lottery, which was two years *old last* week.

A key feature of the UK's *lottery is that some of the* proceeds are handed directly *to five good causes:* charities, sport, the arts, national heritage and a special millennium fund to pay for start-of-the-century celebrations. Similarly, a planetary lottery would finance good deeds. That would be its purpose. The five planetary causes that spring to mind most readily are peace-keeping; poverty; heritage and culture; the environment; protection of endangered species.

Naturally, there will be fierce rows over the allocation of the money. But sophisticates would say it is better to argue fiercely about how lottery money is spent than not to start a lottery just to avoid argument.

To date, the allocation of UK lottery money has generated much synthetic media controversy (as opposed to *things worth arguing about*). And there is a lot more to come – especially in sport, where allocations to date have caused many fewer disputes than in the arts, charities or heritage.

So far, the Lottery Sports Fund has awarded £305m ($503m) to 1,537 capital projects in 53 sports. Some awards were small: £7,697, for example, to the 1st Cleethorpes *Sea Scout group to* help buy 25 new kayaks and *a new rescue boat. Many* were much larger. Most of sport's lottery windfall will still be spent on capital projects. But last week the government and the Sports Council announced plans to spend an estimated £50m of lottery money annually on a programme designed to bolster Britain's sporting performance and visibility at world level.

About half the money will go to an estimated 4,500 individuals, the best of whom will receive average annual grants of about £17,000 each – enough, certainly, to enable them to train full-time. First payments will be made next March.

What Britain wants, above all, is to win a decent number of medals at the 2004 summer Olympics. At present, Britain is on Skid Row as far as *the Olympics* are concerned. At this year's Atlanta Olympics Britain won a solitary gold medal – a humbling experience for the country that *invented* most of the world's big-time sports but has never had a government with the wit to invest a few paltry millions in the national Olympic effort.

Now things will change. Money will be pumped *into* sportsfolk's bank accounts. *Possibly, Britain* will re-establish itself as a sporting *power, though* many countries have stolen a march. And the Sports Council seems confident it can contain the administrative cost of its new programme – which will also fund bids to bring big events like the Olympics and the soccer World Cup finals to Britain – to approximately 2 per cent of receipts, which sounds OK.

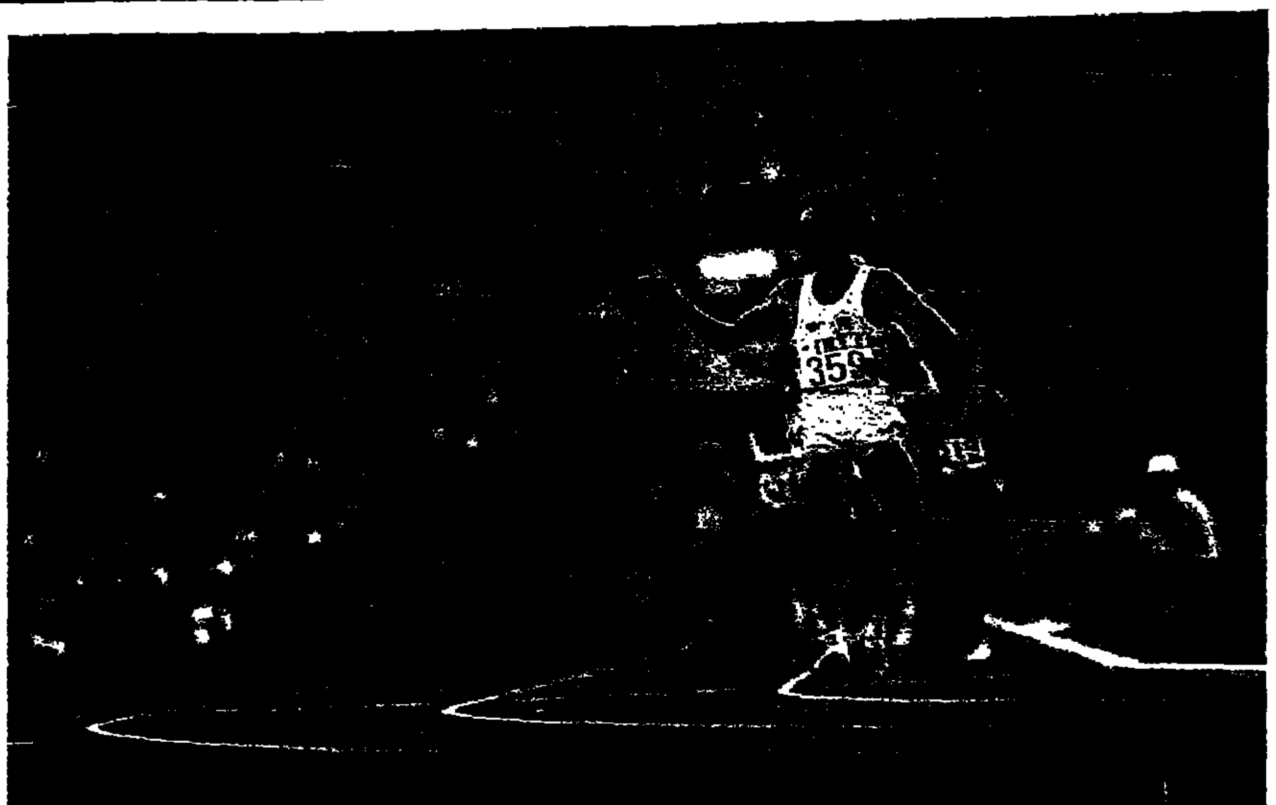
Nevertheless, deciding which athlete gets what will take thousands of man-hours of bureaucratic endeavour, and is bound to produce wrangling and cock-ups.

Some of the criteria for handing out the cash have been established. Those eligible for the highest grants, for example, will be ranked in the world's top 10 as individuals (or in the world's top four teams), and will be *potential world and Olympic* medallists. The Sports Council recognises 111 sports altogether, of which 22 are "priority sports". It says it may support individuals in up to 70 sports, with Olympic sports likely to get the lion's share.

Yet those who allocate the money are going to need the wisdom of Solomon and the hides of rhinoceroses. For *example, will* members of the British synchronised *swimming squad get more*, less or the same as a 100 metres breaststroke swimmer (male, female or both), assuming it could be shown that the chances of a gold medal in synchronised swimming equalled those of a gold medal in the 100 metres breaststroke?

Suppose one of the synchronised swimmers was a convicted stalker, or amazingly spiteful, or was thought to have attempted to corner world mango production. Would she get the *same generous stipend as* the other synchros, let alone a breaststroker?

Only time will tell.



Bread and circuses: Desperate to re-establish itself as a sporting power, Britain will spend an estimated £50m a year on a quest for medalwinners to emulate former Olympic champion *Sebastian Coe* (pictured). *It also wants to host the world's* top sports events.

■ No one in British soccer says "sick as a parrot" any more, not even post-ironically. But Steven Brown has his own variation of the hallowed phrase. Brown, who is cool, is a 25-year-old midfielder who plays for humble Consett in the Northern League, or does when he is not manning the fruit and vegetable stall at Team Val*ley market, near Gateshead.*

On Saturday, Consett played Mansfield, of the FA Third Division, in the first round of the FA Cup – Consett's biggest game in 38 years. Last week, having failed to get anyone to cover for him, Brown was facing the prospect of rising at 3am on Saturday to work on his stall until 8am before dashing back to the village of Stanley 10 miles away to pick up his kit and catch the team coach to Mansfield.

"I'm as sick as a chip at *having to work*, but at least I am getting away a bit earlier than normal," said the heroic midfielder. "Usually on a Saturday I can go to bed for a couple of hours before the match. That won't be possible this weekend as we are due to leave at nine. But once the match starts I don't think I will have any problems about feeling tired. I will be so wrapped up in the action."

Consett (average gate: 120) *last* appeared in the *first* round proper of the FA Cup in 1958, when they lost 5-0 to Doncaster. To qualify for the Mansfield match, they had to win five preliminary rounds away from home. Manager Colin Carr says: "The town has picked itself up after the closure of the steelworks, and our success has been a . . . boost for local people. I've a smashing set of lads who are immensely loyal. I know they'll give it their all against Mansfield."

Give it their all they did. *But Mansfield won 4-0.*

Colin Amery • Architecture

Liverpool's classicist led a life of Reilly

When he died in 1948 he was described as "nothing less than a *life-force . . .* [he was] unique". Charles Reilly was a charismatic man, a *brilliant* architect and a pioneering influ*ence in the world of architectural* education. He made his biggest mark as professor of architecture at the University of Liverpool *from 1904 to 1933.*

Charles Reilly and the Liverpool School of Architecture, 1904 to 1933 is the title of an exhibition at the Walker Art Gallery in Liverpool until next February 2. It is to be highly recommended, for it offers a unique survey of an under-appreciated period of architectural history and provides an excuse to visit Liverpool, a city that, despite its cultural and architectural wonders, is still something of a secret.

Reilly's career and the rise of his school coincided with the days when Liverpool was Britain's leading Atlantic port and the stylishness of the great liners on its quays was matched by the sumptuousness of its hotels and public buildings.

Good exhibitions are about personalities, their philosophies and *their material achievements.* In this exhibition Joseph Sharples of the Walker Art Gallery has made Liverpool itself the co-star in the story. The school at Liverpool University was the first to offer full-time architectural courses. Until then architects had worked as apprentices in studios and offices to learn their skills. When Liverpool began to teach architecture there was a huge debate going on: was architecture an art or a profession. I think Reilly *saw it* as a practical art.

He believed that a classical training could bring to architecture a body of doctrine that could make design a teachable subject. The sentimentality of the arts and crafts movement was to be replaced by the clear rationality of classicism. Draughtsmanship ruled the day.

Reilly's decision to produce a competition design for the Anglican cathedral in Liverpool was what first took him to the city. He was impressed by the international quality of so many of Liverpool's great neo-classical buildings, and at the age of 30 his enthusiasm for the city was rewarded by his appointment as professor at the school of architecture. He was to spend his time putting away the casts of Gothic ornament ordained for architecture schools by Ruskin, and promoting Renaissance classicism.

There is a sense in much of the student work on show that Reilly encouraged his pupils to imagine they were building during the heyday of the Roman rather than the British empire. But he was also greatly influenced by American classicism. He visited the US and admired the purity and scholarship of the great American firms then building palaces of commerce and culture.

Reilly's vision was grand and monumental, but his works are also successful on a smaller scale. His houses and cottages for Port Sunlight are modest and very habitable, while one of his churches, St Barnabas, in Dalston, London, is one of the best examples of the way his classicism aspired to abstraction without excessive ornament.

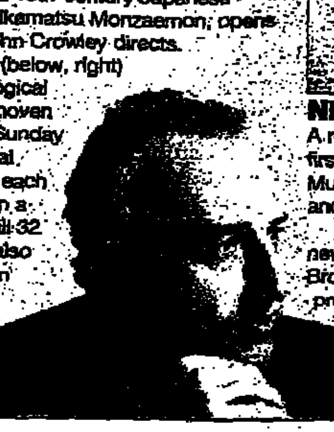
This church is still in use and pungent with the atmosphere of its period. Possibly the austerity of the building was due to a shortage of funds, but it is also an interesting precursor of Reilly's ultimate conversion to modernism.

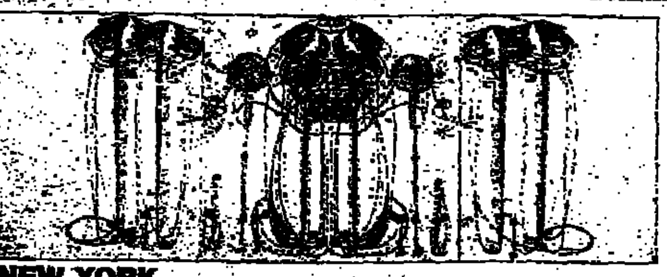
The exhibition is visually rich and makes a relatively unknown subject both accessible and enjoyable. And outside the gallery are all the architectural wonders of Liverpool.

ARTS

OPENINGS

LONDON
Bob Hoskins (left) returns to the London stage tonight in *Old Wicked Songs* at the Gielgud Theatre.
– At the Cottesloe Theatre, *Fair Ladies at a Game of Poem Cards*, a verse play by Peter Oswald based on a 18th-century Japanese puppet play by Chikamatsu Monzaemon; opens on Wednesday. John Crowley directs.
Maurizio Pollini (below, right) opens his chronological survey of the Beethoven piano sonatas on Sunday at the Royal Festival Hall. He will return each month until June, in a series embracing all 32 sonatas. Pollini is also playing the series in Vienna and Paris.





NEW YORK
A retrospective of the work of Charles Rennie Mackintosh (above), first seen in Glasgow in the summer, can be seen at the Metropolitan Museum of Art from Thursday. It includes work by Mackintosh's wife and artistic collaborator, Margaret MacDonald.
Noel Coward's *Present Laughter* opens on Broadway tonight in a new production directed by Scott Elliot at the Walter Kerr Theatre. Off Broadway, this week's highlight is a Roundabout Theatre Company production of Anouilh's *The Rehearsal*, opening on Thursday.
The Philip Glass opera *Les Enfants Terribles: Children of the Game*, opens at the Brooklyn Academy of Music Opera House on Wednesday. The production is directed and choreographed by Susan Marshall.

PARIS
The Théâtre de la Ville opens its new 420-seat second theatre tonight, with a performance of *L'Epouse Injustement Soupconnee*, a Jean Cocteau *opera de poche* with music by Valérie Stéphan, staged by Jacques Nichet. The Merce Cunningham Dance Company opens a new season tomorrow in the same theatre's main auditorium.

BRUSSELS
The Musées d'Ixelles has organised a retrospective of the Austrian designer and illustrator Alfred Kubin (1877-1959), whose morbid paintings were influenced by the expressionist style of the Blaue Reiter. The exhibition, comprising 200 works, opens on Wednesday.

NOTTINGHAM
Elsinore, Robert Lepage's one-man variations on Shakespeare's *Hamlet* – whose Edinburgh Festival performances this summer were cancelled due to machinery failure – commences its British tour on Wednesday at the Nottingham Playhouse. The tour will also include London's National Theatre.

HUDDERSFIELD
Huddersfield's contemporary music festival, one of the most influential of its kind, focuses this year on Stockhausen (right), Morton Feldman, Tan Dun and Sofia Gubaydulina. The festival runs from Friday till December 1.

Past, present and future telescoped into a single time-frame: Bernd Alois Zimmermann, with a scene in rehearsal from the new ENO production

Opera's ultimate challenge

Andrew Clark explains why 'Die Soldaten' will stretch ENO to the limit

Let's be clear before a note has sounded: *any* production of Bernd Alois Zimmermann's *Die Soldaten* (Soldiers), including the first London performance tomorrow, must count as a spectacular event. With its multiple stage levels, its three film screens, its vast orchestral apparatus and cruelly taxing vocal parts, this opera makes the most extravagant demands. It requires not just a high level of virtuosity, musicianship and nerve from every participant; it also requires its audience to be informed. *Die Soldaten* does not invite indifference.

This is what makes it unusual. Its very complexity attracts only those companies willing and able to flex their muscles to the extreme. Since the Cologne premiere in 1965, there have been just two professional productions outside Germany – at New York City Opera in 1991 and the Bastille in Paris in 1994. *Die Soldaten* has often been regarded as the missing link in English National Opera's modernist repertoire. Tomorrow the company will show whether it is worthy of the challenge.

When it was first performed, *Die Soldaten* was widely hailed as a modern masterpiece, directly descended from *Wozzeck* and *Lulu*. Writing in the 1976 edition of Kobbé, George Harewood said Zimmermann had written an opera "full of compassion and humanity, that speaks to the hearts of audiences which see and hear it". This is how most professionals still view it – especially in Germany, where *Die Soldaten* has the status of a monument, honoured more in remembrance than in actual performance.

But time has not been kind to Zimmermann's reputation. Commentators today are inclined to dismiss *Die Soldaten* as dated and distasteful, not just because of its 1960s-era embrace of total serialism, but because of its cliché-ridden anti-war expressionism. The 1993 Viking Opera Guide, which has replaced Kobbé as the opera-goers' bible, describes *Die Soldaten* as dramatically one-paced, arguing that "Zimmermann's angular vocal style and undifferentiated orchestral textures convey little interest in the human significance of the plot." Whichever way you look at it, *Die Soldaten* invites controversy. The ENO production should help to clarify the arguments.

The real significance of *Die Soldaten* lies not in its anti-war content, nor in its serialist language – neither of which was new in 1965; its originality stems from Zimmermann's use of simultaneous scenes. He defined his concept in terms of "the spherical shape of time" (Die Kugelgestalt der Zeit) – a telescoping of past, present and future into a single time-frame. It is still a revolutionary idea. The question is: how on earth do you put it into practice?

Zimmermann's thesis was that the proscenium stage was outdated. He wanted a new type of theatre in which the audience could swivel round at will to observe different scenes taking place simultaneously on different stages, with live and electronic sound emanating from 12 directions. Played in the round, such a performance could be achieved today with the help of closed circuit television. But the precision of Zimmermann's notation, and the need for it to be very precisely played, means that even under these conditions, *Die Soldaten* would be almost impossible to co-ordinate.

Such is the stuff of which creative dreams are made. To get his work performed, Zimmermann had to compromise – and the solutions adopted by ENO are broadly similar to the Cologne premiere, which carried Zimmermann's seal of approval. Most of the percussion, for example, will be housed in a separate room and piped into the auditorium, because Zimmermann's orchestra is too big to fit a conventional pit. And the scenes using multiple time-frames are acted out on different levels of a traditional proscenium stage.

So is *Die Soldaten* simply an artistic machine, in which music and plot are secondary to its revolutionary structure? Not entirely. True, what initially attracted Zimmermann to Jakob Lenz's 18th-century play was its rapid succession of short scenes in a multiplicity of locations. Here was the perfect model for Zimmermann's "sphere of time", which he tried to match musically by squeezing old danceforms, jazz and Bach quotations into the serialist fabric of the score.

But Lenz's play also gave him the raw material to develop themes which had long preoccupied him. It tells the story of a girl who descends to ruin after seduction by an army officer, with the accompanying tale of her fiancé who joins the army to avenge himself upon the seducer. For Lenz, writing in a pre-Marxist world, the play symbolised the arrogance of money and power; the fate of Marie, the anti-heroine, demonstrated how poor and innocent people were crushed by the mechanisms of society.

Lenz's thesis was that soldiers will always act like soldiers, that some girls will inevitably end up on the human dustheap. This was not enough for Zimmermann. With Korea, Vietnam and the East-West conflict ringing in his ears, and his experience of the second world war scorched on his memory, he turned Lenz's cruel tale of seduction into a modern ideological drama, in which rape and the military are linked as different aspects of the same dehumanising force.

Like any politically-committed artist of the postwar era, Zimmermann wanted to make a protest, to decry the use of violence in the family, in society, between nations. The final crescendo includes film-clips of the Hiroshima bomb, accompanied by the sound of military commands, machine-guns and screaming – a vision of a world moving towards total destruction.

This leaves *Die Soldaten* wide open to misinterpretation – especially in Germany, where producers have exploited it as a leftist tract. What ultimately counts in opera is not political propaganda or stage theory, but personal drama. And in *Die Soldaten*, Marie's downfall is the very element which gets submerged if the anti-war theme is allowed to dominate.

Her story may be tragic, but anyone expecting traditional grand-operatic gestures will be disappointed. To relate to Marie's plight, the listener has to decode Zimmermann's music, which is not easy. Unlike Berg in his two operas, Zimmermann stuck rigidly to the 12-tone row, a system which makes it almost impossible to write with a sense of pace and musically differentiated characters.

As a result, the musical idiom of *Die Soldaten* is essentially cool and neutral. The only time Zimmermann achieves a real feeling of movement is in the Act 2 café scene – not because of the music, but because there is so much happening on stage. The score nevertheless has much to commend it. Zimmermann uses the full orchestra only in the preludes and interludes, the café scene and the finale. The rest is intimate – conversations between two or three people, accompanied by chamber music of delicacy and beauty.

It is tempting to interpret Zimmermann's choice of subject-matter in the light of his suicide in 1970 at the age of 52. His widow Sabine, who will be attending tomorrow's performance in London, rejects the link, saying he took his life in a bout of extreme depression. For her, and for many others, *Die Soldaten* is simply the reaction of a brilliant man to one of the most monstrous periods of human history.

Like most operas before and after, *Die Soldaten* is a document of its time. In the 1950s and 1960s, when total serialism was all the rage, no self-respecting composer or critic in Germany would give credence to a piece that had anything resembling a melody. *Die Soldaten* won its reputation because it observed the avant-garde musical etiquette of the period, and because it embodied novel theories. For that reason, it does not really work on records. Those of us who have seen it on stage, however, can testify that, handled sensitively, it works as theatre. The ENO production allows everyone the chance to judge the work afresh.

***Die Soldaten*, conducted by Elgar Howarth and staged by David Freeman, is performed at the London Coliseum on November 19, 23, 26, 28, December 5, 10 and 12 (0171-632 8300).**

Musical

Unhappy Scrooge

Having written lyrics for *Pickwick*, Leslie Bricusse decided to adapt another Dickens story and in 1970 he wrote the screenplay and the songs for the film *Scrooge*. In 1992, he cast his old writing partner Anthony Newley and this stage version set off around the country. With its well-loved story you would think it was a dead cert. Yet it has taken five years for *Scrooge* to trundle into town. Why?

It starts with the wigs. It is Christmas Eve and the whole of Dickensian London appears to be having a bad hair day. The opening number – the crucial mood-setter for any musical – is flaccid. The choreography is flat, characterless and third-hand: all-purpose larky Londoner circa 1960. If the cast were wearing braces, they would be inserting their thumbs and swinging from side-to-side. They aren't, but the women do almost the same thing with skirts singing "A Christmas Carol", which lets us know which book we are watching but nothing else.

Every time someone comes through the door to Scrooge's office, the wall wobbles. The entire show is so harshly amplified that any business with props comes sailing across the auditorium via Kevin Swain's brash, brittle sound design and the balance of the 11 players in the pit muddies all the orchestrations.

Tudor Davies's direction is so lazy that any possible mileage from the material is squandered and most of the special effects go for nought. As for the songs, they are anodyne and rambling. With the exception of the boisterously danced and endlessly repeated "Thank You Very Much", you struggle to remember them as they are being sung, let along afterwards.

Newley, who once released an album entitled "Mr Personality", has certainly not opted to change tack and go for "Mr Characterisation". He wanders about the stage with a wearisome set of mannerisms, trembling lip, permanent sneer, guttural growls. He rouses himself to pull the stops out for his big number "A Better Life" and wins a big round from the audience but that is more to do with Hugh Vanstone's lighting and a half-way decent tune.

Bricusse provides a slushy *a capella* carol, "Christmas Wishes", for his second act opener. My Christmas wish is for potential audiences to see almost anything else in the West End instead.

David Benedict

Dominion Theatre, London W1.

INTERNATIONAL ARTS GUIDE

AMSTERDAM

EXHIBITION
Van Gogh Museum Tel: 31-20-5705200
● The Colour of Sculpture 1840-1910: this exhibition demonstrates the methods and materials used by 19th-century artists to apply colour to their sculptures. The exhibition, featuring some 100 sculptures in colour, is divided into five categories: Classicism, Neo-Gothic, Salon Art, Impressionism, and Fin de Siècle. Artists represented include Camille Claudel, Charles Cordier, Paul Gauguin, Arnold Böcklin, Jean-Léon Gérôme, John Gibson, Medardo Rosso, Fernand Khnopff, Max Klinger, Pablo Picasso, Auguste Renoir and Auguste Rodin; to Nov 17

ANTWERP

CONCERT
De Singel Tel: 32-3-2483800
● Rotterdams Philharmonisch Orkest: with conductor Bernhard Haitink and soprano Susan Chilcott perform works by Britten and Shostakovich; 8pm; Nov 20

BARCELONA

EXHIBITION
Museu Picasso Tel: 34-3-3196310
● Picasso and the Theatre: Parade, Pulcinella, Cuadro Flamenco, Mercure: this exhibition of some 200 pieces, including paintings, drawings, documents, costumes and other objects, deals with Picasso's relationship with the scenic arts; from Nov 20 to Feb 23

BERLIN

CONCERT
Konzerthaus Tel: 49-30-203090
● Orchester der Deutschen Oper Berlin: with conductor Christopher Hogwood and the Chor der Deutschen Oper Berlin perform works by Haydn and Handel; 8pm; Nov 22

CHICAGO

EXHIBITION
Art Institute of Chicago Tel: 1-312-4433600
● Edgar Degas: Passing on the Tradition: this exhibition accompanying the major exhibition "Degas: Beyond Impressionism" features approximately 130 works on paper from the museum's collection. The exhibition reviews the work of the many artists he admired, copied and collected, including Rembrandt, Ingres, Delacroix, Daumier, Van Gogh and Gauguin. In addition, works are presented by those immediate successors, like Toulouse-Lautrec, Rouault and Picasso, who acknowledged, in word or deed, their debt to him; to Jan 26

COLOGNE

CONCERT
Kölner Philharmonie Tel: 49-221-2040820
● Ensemble Intercontemporain: with conductor Pierre Boulez and pianist Dimitri Vassilakis perform works by Donatoni, Dalbavie, Rihm and Messiaen; 8pm; Nov 21

COPENHAGEN

OPERA
Det Kongelige Teater Tel: 45-33 69 69 69
● Madama Butterfly: by Puccini. Conducted by Dietfried Bernet, performed by the Royal Danish Opera. Soloists include Gitta-Maria Sjöberg, Vladimir Galusin and Kari Hamnoy; 8pm; Nov 22

DUBLIN

EXHIBITION
Irish Museum of Modern Art Tel: 353-1-6718666
● The Event Horizon - Part II: the second part of the Irish Museum of Modern Art's season of exhibitions and artist projects dealing with questions of identity, landscape and cultural diversity. There are 19 works by nine artists from Belgium, Great Britain, Egypt, Ireland, Italy, Portugal and Slovenia, dealing with one or more of these themes using different and varied approaches; from Nov 21 to Feb 2

HELSINKI

OPERA
Opera House Tel: 358-9-403021
● Don Carlos: by Verdi. Conducted by Eri Klas and performed by the Helsinki Opera. Soloists include Jaakko Ryhänen, Mikhail Dawidoff, Sauli Tiilikainen and Ulla Sippola; 7pm; Nov 22

LONDON

MUSICAL
Lyceum Theater Tel: 44-171-6561800
● Jesus Christ Superstar: this musical by Tim Rice and Andrew Lloyd Webber re-opens the Lyceum Theatre. The totally new production, directed by Gale Edwards, marks the 25th anniversary of the world premiere of "Jesus Christ Superstar" in New York. The cast includes Steve Balsamo, Zubin Varla and Joanna Ampil; 7pm; from Nov 19

POP-MUSIC
Wembley Stadium, Arena and Congress Centre Tel: 44-181-9001234
● Tina Turner: performance by the American singer; 7.30pm; Nov 19, 20, 21

MADRID

CONCERT
Auditorio Nacional de Música Tel: 34-1-3370100
● Orquesta Nacional de España: with conductor Yuri Temirkanov perform works by Lyadov, Prokofiev and Rachmaninov. Soloists include violinist Agustin León Ara; 7.30pm; Nov 22

NEW YORK

CONCERT
Carnegie Hall Tel: 1-212-247-7800
● Moscow Soloists: with conductor/viola-player Yuri Bashmet perform works by Telemann, Schoenberg and Brahms/Bashmet; 8pm; Nov 21

EXHIBITION
Whitney Museum of American Art Tel: 1-212-570-3600
● Making Mischief: Dada invades New York: exhibition examining one of the 20th century's most radical art movements. The exhibition presents the work of Marcel Duchamp, Francis Picabia, and Man Ray - artists historically associated with New York Dada - along with the work of American and European artists affiliated with the movement, including John Covert, Jean Crotti, Marius de Zayas, Arthur Dove, Baroness Elsa von Freytag-Loringhoven, Morton Schamberg, Charles Sheeler, Joseph Stella, Florine Stettheimer, and Beatrice Wood. from Nov 21 to Feb 23

THEATRE
Cort Theatre Tel: 1-212-221-7500
● Sex and Longing: by Durang. Directed by Garland Wright. The cast includes Sigourney Weaver, Guy Boyd, Jay Goede, Peter Michael Goetz, Dana Ivey and Eric Thal; Tue - Sat 8pm, Sun 3pm, Wed, Sat also 2pm; to Nov 21 (Not Mon)

PARIS

CONCERT
Théâtre des Champs-Elysées Tel: 33-1 49 52 50 50
● Cecilia Gasdia, Leo Nucci and Ruggero Raimondi: accompanied by pianist Paolo Ballarin, the soprano, baritone and bass perform Napolitan songs in a tribute to composer Paolo Tosti; 8.30pm; Nov 21

OPERA
L'Opéra de Paris Bastille Tel: 33-1 44 73 13 99
● Lohengrin: by Wagner. Conducted by James Conlon, performed by the Orchestre et Choeur de l'Opéra de Paris. Soloists include Jan-Hendrik Rootering, Gösta Winbergh and Karita Mattila; 7pm; Nov 22

PHILADELPHIA

EXHIBITION
Institute of Contemporary Art Tel: 1-215-898-7108
● Peter Fischli and David Weiss: In a Restless World: an exhibition devoted to the work of the Swiss contemporary artists Peter Fischli and David Weiss, which includes sculpture, film, video, photography, and constructions; to Jan 19

Listing compiled and supplied by ArtBase The International Arts Database, Amsterdam, The Netherlands. **Tel: 31 20 664 6441. E-mail: artbase@pi.net**

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European Money Wheel

18.00
Financial Times Business Tonight

Michael Prowse · America

Hubris on Wall Street

The business cycle has not disappeared, although better economic management and structural changes may have elongated the upswing

It seems too good to be true, but it is going to last for at least another year or two. This, roughly, was the response I got last week from economists at leading brokerage houses in New York. The US economy, by common consent, has approached closer to the nirvana of minimal inflation, low unemployment and steady growth than anyone would have imagined possible even five years ago.

The sense of euphoria has spilled over into the stock market where complacent investors keep sending the Dow Jones Industrial Average to new highs. Share prices have nearly doubled in four years.

Official assessments of US performance are equally glowing. White House economists claim there is no statistical evidence suggesting the probability of a recession increases with the length of an expansion. Not to be outdone the OECD last week lavished praise on the US for having established full employment and low inflation, something that has eluded nearly all its competitors.

Each batch of economic data seems to reinforce the "Goldilocks" scenario of growth that is neither too fast nor too slow. Figures last week on consumer prices, retail sales and industrial production seemed to provide further evidence of subdued inflation and modest growth. The fact that economic forecasters are evenly divided on whether the bigger risk next year is excessive or inadequate growth only adds to the conviction that policy makers have achieved a golden mean.

The election results, moreover, were just what Wall Street ordered. Divided government in Washington is seen as offering the best hope of further reductions in budget deficits. Republicans are expected to prevent the Democrats from spending too much while Democrats return the favour by blocking Republican attempts to cut taxes.

History suggests that a sense of economic invulnerability often sets in just as the seeds of recession are being sown. Yet on this occasion there are good reasons to think the US economy is more stable than in recent decades. The most important pre-condition for a long expansion – low inflation – has been achieved. Indeed, inflation is as subdued today as in the most durable expansion of the post-war era: that of the 1960s. This lasted almost nine years, which would suggest the present upturn could persist for at least another three years.

Perhaps because of tougher global competition, corporate America seems more alert than in the past. With the adoption of just-in-time inventory management techniques, companies are keeping a better balance between sales and stocks of goods, meaning that a recession is less likely to be provoked by a huge overhang of inventories.

Business is also insisting on more flexible labour contracts: there has been a big increase in the proportion of workers hired on short-term contracts. This means that corporate profits are likely to be less badly hit by a sudden decline in demand. And since profits are a principal determinant of investment plans, this implies that business capital spending should fluctuate less violently than in the past.

At the same time, the steady rise in services as a share of national income is adding to stability. By their nature most services are less "lumpy" than the consumer and capital goods that used to account for the bulk of output. There is not the same risk of an overhang of unsold services.

Perhaps more important are changes in the attitudes of both policymakers and market participants. One of the chief causes of recessions in the past was the tendency of governments to lower interest rates too much and for too long. This led initially to faster real growth but was quickly followed by accelerating inflation. The monetary authorities then had to stamp on the brakes; the shock of high rates prompted sharp declines in investment and inventories, tipping economies into recession.

Under Mr Alan Greenspan, the Fed has tried hard to avoid this trap. It raised rates in 1994 to slow the economy before inflation took off. Since then it has tried to keep rates at "neutral" levels consistent with steady growth.

The increasing sophistication of bond investors may also be helping to stabilise the economy. At the first hint of higher inflation, long bond yields tend to rise sharply, curbing economic growth. If, on the other hand, figures suggest greater than expected weakness in the real economy, long yields tend to fall, stimulating growth. Bond investors thus serve as "natural regulators", reinforcing the Fed's efforts to keep the economy on a stable path.

How, in spite of these benign trends, might this expansion end? One point often overlooked is that the US's impressive performance has to some degree depended on the relative failure of economic policies elsewhere. As the chart shows, the US is the only large economy to have maintained an "output gap" of close to zero in recent years: in other words actual growth has been very close to potential, ensuring full employment of resources in goods and labour markets.

Large output gaps elsewhere mean that inflationary pressures on commodities and wages are less in the US than they would be if all countries were at full employment. Depressed economies abroad have also ensured a ready supply of savings on attractive terms to finance the US expansion, as illustrated by huge inflows into US Treasury bonds in the past 18 months. Mr Greenspan has been able to walk a monetary tightrope successfully only because nobody else has been attempting the same feat at the same time.

But if Europe and Japan finally get their act together and grow faster, these benign conditions could evaporate. The Fed would have to raise interest rates. Wage and price pressures would intensify. This double squeeze on companies could result in lower investment and, ultimately, a recession.

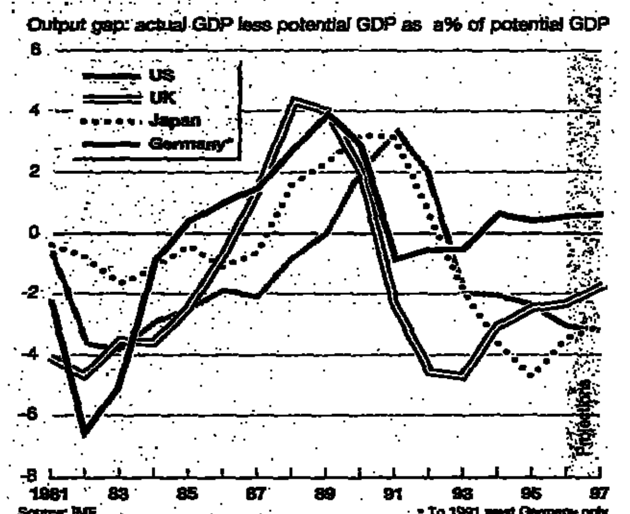
The other possible source of instability, ironically, lies in financial markets themselves. If bond markets have played an equilibrating role, the same cannot be said for equity markets. There is some evidence – although far from conclusive – that share prices are beginning to lose touch with reality, that a bubble is developing like the one that wreaked such havoc in the late 1920s.

Signs of possible instability include the high price-earnings ratios of many shares, the yawning gap between the market and book value of assets, and the record sales of unit trusts (mutual funds) to small investors.

At some juncture – and the precise timing is never predictable – the reality could dawn that share prices are unsustainable. At that point there would be a sudden collapse. The trigger for such a sudden fall could come if inflation and interest rates rise in response to the global pressure on resources as other economies join the US in closing their output gaps.

Having said this, the economic outlook for now does appear unusually propitious. The Fed, with its supporting cast of bond investors, may succeed in maintaining stability for several more years. But do not confuse the elongation of the upswing with the repeal of the business cycle. The one certainty is that market economies will retain their capacity to surprise even the most shrewd observers of cyclical patterns.

The US success story



Personal View · Andrew Tyrie

Opening the books

UK government tax and spending plans must face greater public scrutiny

&

Mr Kenneth Clarke's budget next week will probably restrain government spending enough for him to cut taxes without putting the markets in a flap about the public deficit. But he will probably fail to bring spending below 40 per cent of gross domestic product next year, as he forecast in last year's budget.

Even if the UK chancellor did manage to squeeze below the 40 per cent target, this would still be too high. Spending must be brought down much further and politicians need to be prodded into doing so. The best way to achieve that is to open up the taxation and expenditure agenda to much greater public scrutiny.

First, the government's fundamental reviews of its spending need to be much tougher. At present, spending ministers carry out their own department's "performance appraisal" with Treasury oversight. This should instead be supervised by a group of senior "non-spending" ministers.

This approach would be more likely to smoke out redundant policies, such as giving £1.5bn more annually to the Scots than is received by any equivalent region in England – even though Scottish income per head is the same as the rest of the UK's.

It might force a second look at the decision to go ahead with building a tank designed to fight on a central European front which, since the fall of the Berlin Wall, no longer exists. And it should put an end to absurdities such as subsidies from the ministry of agriculture to boost food exports.

The detailed findings of reviews should also be published. This would enable the efficiency of government departments to be compared: the government has introduced league tables for most public services, but not for the cost of running Whitehall and its agencies.

Second, the fiscal forecast in the budget – and the assumptions that lie behind it – should be opened up to greater public scrutiny, just as the government has recently lifted the veil over monetary policy. The best way to achieve this would be to create a small, independent fiscal office, probably answerable to the Commons Public Accounts Committee. The office should vet the detailed assumptions which lie behind the forecast, not just for the year ahead but for the following years.

Nor ought people be left to cope with the cacophony of claim and counter-claim on the effects of spending plans and tax bombshells. The office should provide costings for all opposition tax and spending plans.

This should produce a more clear-headed debate about the relative merits of policy: if parties refused to submit their proposals for costing, the electorate could draw its own conclusions.

Third, the taxpayers who foot the bills for spending deserve to be told how much they are really paying.

The Pay As You Earn system of automatic deduction of tax from wages conceals this from employees unlike the system for the self-employed, who have to write out cheques to the Inland Revenue.

The government should send all taxpayers a statement explaining how much they have paid, with information on where the money goes. And the rate of Value Added Tax should be shown on price tags in shops, credit card statements and all invoices.

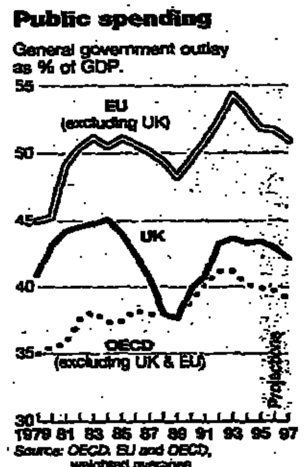
When taxpayers learn what is taken off them they will be less keen to sanction spending. And getting spending down further is essential: the high growth economies of the 21st century will be those whose governments absorb less of the nation's resources.

The government made some progress in the 1980s on cutting public spending – particularly compared with the rest of the European Union. But, as the graph* shows, there is more to do if Britain is to get down to the average of non-EU members of the Organisation for Economic Co-operation and Development.

There are now fewer excuses for high spending – cutting it is easier than for decades. Privatisation means the nationalised industries' begging bowl is no longer on the Treasury's doorstep; the unions are far less of a threat to public sector pay; and the end of the cold war has brought the scope for big defence savings.

Implementing the above proposals would push politicians in the right direction and could help get the ratio of spending to GDP decisively below 40 per cent. It would also bring a much needed improvement in the quality of public debate.

Public spending



**The graph uses OECD-standardised definitions of total outlays which show public expenditure slightly higher than the UK measure.*

The author is former special adviser to Nigel Lawson and John Major at the Treasury. His paper The Prospects for Public Spending, *is published today by the Social Market Foundation, 20 Queen Anne's Gate, London SW1H 9AA. £15.*

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

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Stable Emu must mimic US

From Mr Bernard Connolly.

Sir, Martin Wolf, discussing the issue of fiscal independence in Emu ("To fiscal independence", November 12), displays his customary logical rigour and vigour in analysing the ways in which governments can lose their power to tax. And all his conclusions are, I think, correct. But there is an aspect of the article, cited by Martin Wolf, that I wrote with Brian Reading for Lombard Street Research that is not brought out in his analysis yet has an important bearing on the possibility of a successful Emu.

The point is that Emu will indeed lead to a loss of political support to impose taxes. Existing budgetary austerity efforts in continental Europe are being sold on the argument that they are worth it to get into Emu. Additional austerity as a result of Emu will create a dangerous degree of popular disillusionment and resistance. Yet redoubled austerity efforts in Emu are precisely what the stability pact will require. Something like budget balance, combined with absolutely low debt ratios (lower than those in any EU country other than Luxembourg, which has already been subject to monetary union constraints for many decades), does seem to be a demand that markets make of borrowers who do not individually control the money in which they borrow.

Of course, it can be argued, correctly, that countries in Emu would attempt to behave, by constructing ad hoc coalitions and alliances to pressure the European Central Bank, as though they *did* still have control over euro monetary policy. But this would mean a politicisation of monetary policy in Emu even worse than that which characterised the most frenzied days of the ERM. For the Bundesbank, this would be an unimaginable nightmare. If making the British, French and Germans pay for Italy's debt would destroy Emu from the outset (as it would), so too would making the ECB the guarantor of the solvency of Italy, Belgium and indeed all the highly indebted EU countries.

This circle can be squared only by excluding Italy (and of course Greece) and relying on Franco-German geopolitical ambitions for Europe to make the peoples of the two big continental powers swallow the cost of paying for the debt of the other great outlier, Belgium. With debt an Emu-wide obligation, it *would* then be possible to reduce the Emu member governments to a fiscal status comparable to that of individual US states. The only form of monetary union that would have even the faintest chance of achieving Emu's advertised stability objectives would be one that mimicked the US system. But that really does involve creating a country called Europe, or at least a country called *Frankenreich*.

Bernard Connolly,
senior adviser,
AIG Trading Group,
One Greenwich Plaza,
Greenwich,
Connecticut 06830, US

US confidence benefiting Rolls-Royce

From Mr C.J.S. Woodwark.

Sir, It was with great concern that we read the article "Ferrari in fight to leave the Big Apple" (November 7). The suggestion in your piece that sales of Rolls-Royce and Bentley motor cars are suffering and that we are not represented in New York is simply untrue.

We did suffer from the effects of the recession in 1991-1992, and our then dealer, Carriage House, decided in late 1994, to move out of his Manhattan premises and cease to represent us. Since then however, we have recruited a highly enthusiastic dealer named Manhattan Motor Cars, and have seen sales grow consistently for the past two years throughout the US, and Manhattan has contributed to this.

Sales of Rolls-Royce and Bentley Motor Cars in 1995 reached 420, a 25 per cent increase over the 1994 figure of 335. This year, at the third quarter we were 18 per cent ahead of the same period last year (292 v 248), with our most important sales period of the year still to come. Confidence is running high in the US and is reflected in increased sales of cars in the high luxury sector, and for our motor cars in particular – evidence of this is that the best selling cars in our two ranges are the most expensive.

C.J.S. Woodwark,
chief executive,
Rolls-Royce Motor Cars,
Crewe, Cheshire, UK

Critical difference between pollutants

From Mr J.H. Bescoby.

Sir, Your correspondent from Lucerne, Mr Keith Spinks (Letters, November 11), complains of pollutants other than tobacco smoke when flying and goes on to offer an amusing list of noises and smells, some of which I had not previously thought of as pollutants.

But there is an important difference between screaming kids and powerful after shave (included in Mr Spink's list) and smoke from cigarettes.

The latter is carcinogenic and may contribute to life threatening illness. The others do not.

J.H. Bescoby,
4 Bishops Court,
Knoll Hill,
Bristol BS9 1NS,
UK

UK should encourage Cuba trade

From Mr Harold Pinter and others.

Sir, We, the undersigned, welcome the news that the UK government has at last voted against the illegal blockade of Cuba ("EU backs UN vote on Cuba", November 13).

It now remains for the government to go one step further in its commitment to encouraging British trade with Cuba. It should explore the possibility of either writing off, or re-negotiating Cuba's debt with the UK, so that British companies may once again obtain export credit guarantees.

Such a move would not only help UK exports but would send the clearest signal to Washington that the UK is determined not to allow the iniquitous Helms-Burton law to succeed.

Harold Pinter,
Ernie Ross MP,
Stan Newens MEP,
Ken Cameron, general secretary, Fire Brigades Union,
Ken Gill, chairperson, Cuba Solidarity Campaign,
c/o Cuba Solidarity Campaign,
The Red Rose,
129 Seven Sisters Road,
London N7 7QG, UK

On the Crest of what?

From Mr Jeremy Archer.

Sir, In the light of the critical comment in the Lex column concerning Crest ("Crest", November 14), is it perhaps appropriate to consider what the acronym – if it is an acronym – might stand for? I can offer two suggestions:

- Chaos Reigns Every Single Time;
- Confucius Reveals Even Simple Truths.

However, what, if anything, does Crest really mean?

Jeremy Archer,
100 Haldon Road,
London SW18 1QQ, UK

FINANCIAL TIMES
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Monday November 18 1996

Europe on the black

Yesterday's pricing of the Deutsche Telekom flotation, close to the top of its target range, might suggest that European privatisation is still charging ahead. Only last week, after all, the German government also arranged to sell its last stake in Lufthansa. On closer inspection, the picture is more patchy. Last week saw Italy postponing the privatisation of the telecoms company Stet, and France calling off the sale of the banking group CIC.

Perhaps this is not surprising. Since privatisation began in Europe some 15 years ago, it has come to mean all things to all men. It can allow governments to wash their hands of policy muddles, force through liberalisation and reduce public borrowing. It can expose companies to the disciplines of the market, uncover inefficiencies and reduce overmanning.

At this point in the EU's development, not all of that may appeal. Given the Maastricht targets on public debt, raising cash is obviously more important than ever. But there is a snag. In several member countries, the stringencies imposed by Maastricht are unpopular enough already. Some of the by-products of privatisation, such as job losses, increased competition and – in some cases – the sale of national assets to foreigners, can only make matters worse.

This seems particularly true of France. As in the UK, most of France's easy privatisations have been done already, leaving the tricky ones. CIC is burdened by bad debts on property. Air France is grossly overmanned. Crédit Lyonnais is a basket case. Even the sale of Thomson Multimedia is politically unpopular, partly because the buyer is Korean.

Nuclear power

But the fact that a business is uneconomic and badly run is not an argument for leaving it in public ownership: rather the reverse. The case for privatisation is in principle as strong as ever. This is borne out by the experience of Europe's most practised exponent, the UK.

The performance of the British economy over the past 15 years might not seem much of an advertisement. Without privatisation, it would certainly have been worse. The process exposed some important inefficiencies, such as the real costs of nuclear power. It gave the UK a flying start in one of the most important sectors of all, telecommunications.

Supervision

The UK experience also points to privatisation's biggest single danger, that of inadequate competition. If a state-owned company is privatised as a monopoly or quasi-monopoly, then only tight supervision can achieve the reforms governments were hoping for. Too often, limited competition and weak supervision tempt the privatised entity to abuse its position. The whole process then loses legitimacy in the eyes of the electorate.

With that proviso, it is in the EU's interest that privatisation should be pushed as far as possible. Indeed, there is much further to go. Not in the UK, perhaps: but in France, even the state telephone company has yet to be sold. In Italy, there is still a huge rag-bag of assets under the umbrella of IRI, the state holding company created by Mussolini in the early 1930s.

Governments should bear one further thought in mind: that the window may not stay open for ever. Europe's first privatisations, in the UK in the early 1980s, coincided with the second great upward movement in world equity markets since the second world war. This has been chiefly driven by Wall Street, which since 1982 has risen by a factor of six.

If the rise in European bourses has been less dramatic, it has still been substantial. In the past five years alone, equity markets in continental Europe have risen almost 60 per cent in D-Mark terms. It has been a wonderful run, and it cannot last for ever. If governments still have shares to sell, they had better get on with it.

Letting the people decide

The prospect that Britain might be among the first wave of European countries in economic and monetary union has never been strong. It is slighter still after Labour's announcement that it would join a single currency during the next parliament only after a referendum.

Mr Tony Blair's decision to spell out now the terms under which a Labour administration would participate in Emu was designed in part to gain tactical political advantage. The Conservatives have already promised a referendum. But the Eurosceptics in Mr John Major's party want to go further by pledging now to stand aside from the single currency.

Many in the cabinet share the same view, but have been thwarted by the determination of Mr Kenneth Clarke and Mr Michael Heseltine to maintain a wait-and-see approach. Mr Blair's hope is that his move, while protecting Labour's own political flank during the forthcoming general election campaign, will provoke a renewed bout of government infighting. The initial reaction of the Tory sceptics suggests this tactic could well be successful.

But the promise also reflects a wider political reality. For all the real constitutional objections to referendums in Britain's parliamentary system, it is difficult to imagine any government taking such a momentous decision without the direct consent of the people. Labour, like the Conservatives, will not include a pledge to join Emu in its election manifesto so a plebiscite remains the only democratic option.

Timetable

Sensibly, Mr Gordon Brown, the shadow chancellor, has indicated that Labour would adopt the Conservatives' model for such a referendum. It would follow a decision to join by both the cabinet and parliament, and ministers would be bound by collective responsibility. The question would be neutral, but the government would campaign for a Yes vote.

Mr Brown, however, is on shaky ground in arguing this commitment will have no impact on the decision on whether to opt for the euro from January 1999. The legislative timetable is already tight. Assuming a spring election, the incoming government would have only months to decide whether to join at the outset.

A referendum would impose a further constraint, both in terms of the timetable and of the political risks. There are already divisions within the shadow cabinet. Mr Brown would have preferred to sidestep a referendum pledge, while Mr Robin Cook, the foreign affairs spokesman, has made no secret of his doubts about Emu.

Identical positions

Few believe Mr Blair would risk a popular vote of no confidence in his government within a year of winning a general election. His comments during recent talks with President Jacques Chirac about the economic obstacles to Emu appear to confirm that analysis.

That is not to say the government and opposition now hold identical positions. It is impossible to foresee a Conservative government abolishing sterling during the next parliament, even though the party has technically retained the option to do so. The objections of the Tory sceptics are ones of constitutional principle rather than of timetables. By contrast, Mr Blair continues to insist he supports the goal of a single currency and that his doubts are about timing. Nonetheless, the Liberal Democrats are alone in advocating unequivocally that Britain join the first wave, albeit after a referendum.

The depressing feature of all this is the instinct which leads politicians to adopt a defensive, and in the Conservative case, hostile posture towards Britain's relations with its partners. The current national mood of antipathy towards the EU is a reflection of the unwillingness of both parties to argue the European case. It is all very well to let the people take the ultimate decision on Emu. But referendums are not a substitute for political leadership.

Fight for market share

Richard Lapper and **Gillian Tett** on the contest between London, Frankfurt and Paris to become Europe's leading financial centre

Masked dancers on stilts, neon-clad acrobats, laser beams and dry ice are not usually associated with the world of finance. But they were part of the entertainment at a dinner in London hosted by Deutsche Terminbörse, the Frankfurt-based futures exchange.

The aim was to persuade more banks and brokers to trade products listed on the exchange. The use of such show business tactics reflects an intensifying competition between European financial centres in the run-up to European economic and monetary union (Emu) in 1999.

The prospect of a newly harmonised market in currencies, bonds and other financial instruments has led to a scramble for the business among Europe's leading financial centres.

"Emu will increase competition between Europe's financial centres," says Mr Douglas McWilliams, former senior economist at the Confederation of British Industry. "If you chuck the financial cards up in the air they can create new advantages and disadvantages for the financial centres when they land."

In the UK, the imminence of monetary union has led to a fevered debate about the future role of the City of London, Europe's leading financial centre by a considerable margin. There are fears that if Britain stays out of the single currency, London could find itself sidelined.

A survey published last month by Healey and Baker, the UK property group, showed a majority of European finance directors think Frankfurt will oust London as the leading European capital in the next five years if the UK stays out of the monetary union. Recent attempts by France and Germany to offer countries outside the single currency restricted access to Target, a payments system for the new European currency, have added to concern about the City's position.

Mr Michael Cassidy of the Corporation of London, the City's local authority, believes Frankfurt and Paris are hoping to use the single currency to steal some of London's business. "They are envious of the market share London has developed in recent years," he says.

But while some bankers believe London may be missing opportunities to strengthen its position if the UK does not become part of Emu, most say it is unlikely to be seriously weakened by a decision to remain outside.

In recent years, London has reinforced its dominance as a centre for international capital markets by going further than competitors in deregulating its markets. This has given it advantages that will continue to attract international banks to the City – such as a plentiful supply of skilled traders.

"The critical mass of people, infrastructure and firms is here and it is almost inconceivable that this could unravel," says Mr Stephen Kingsley, partner at Arthur Andersen, the accountants. "London with the UK in or out of the euro will still be the primary centre in this time zone."

In foreign-exchange dealing, corporate finance, fund management, swaps and options and the international new issue market, London is likely to retain its strength – even if the UK stays outside the monetary union. But the City could face tougher competition in some other markets.

For example, European companies which re-denominate their shares in euros might be tempted to shift their listings to Paris or Frankfurt where trading will be in the single currency. A report from the City of London Emu working group, a banking industry body, warned: "There are scenarios under which Emu without UK participation could boost the fortunes of continental exchanges relative to the UK."

More probably, London could lose its grip of the market for German and Italian money-market futures if these become denominated in euros. Most of these are traded at the London International Financial Futures and Options Exchange (Liffe). But as home of the European central bank, Frankfurt might be more convenient for such trading – and the Deutche Terminbörse could increase its share of the market for the related futures contracts.

However, losing ground here is unlikely seriously to harm London's overall position, given its strengths. For the smaller European financial centres, monetary union could lead to the loss of important parts of their business.

These centres often rely on trading in products that will disappear – for example money-market and interest-rate futures contracts in the smaller countries. As Mr Jos Schmitt, president of Belfox, the Belgian futures and options exchange, said recently: "When the euro arrives we will lose all our interest-rate products. It is as simple as that."

These smaller centres will also be hit by the loss of foreign exchange dealings between the countries inside the monetary union. The so-called cross-trades between the main continental European centres represent only 9 per cent of London's foreign exchange transactions, but are the staple business for dealers in Milan, Stockholm and Madrid.

The loss of European cross-trades will also affect larger centres such as Paris where they account for a significant slice of foreign exchange business. But Mr Pierre Simon, a director of the Compagnie Bancaire, the banking group, says: "London has a huge strength in foreign exchange and that is not likely to change."

There have already been signs in recent months that competition between Frankfurt and Paris for new business to replace such currency-linked trading could overshadow the cross-channel rivalry between London and its continental European competitors.

Three months ago the French and German stock and derivatives exchanges quietly abandoned plans to create a common electronic system on which they would have traded each others' shares, bonds and financial futures. They are now hatching their own plans to win business in money-market and bond business denominated in euros.

French officials are fighting hard to protect the position of Paris. For example, they are insisting that the new European central bank conducts its operations in the money markets through separate national banks after 1999, rather than through one centralised market. This would allow the national banks to trade on their local markets and prevent business moving to Frankfurt.

The French have also been active on another complex element of the monetary union process – the issue of "redenomination". This is the adoption of the new euro for national debts which are currently denominated in currencies such as the franc or D-Mark.

Last year European governments agreed that members of the monetary union will issue new debt in euros from 1999. But they left unclear the date for converting outstanding government debt in existing currencies.

The French have announced they want to convert their existing government debt into euros as early as possible in 1999. French officials are also examining the possibility of relaunching the Paris market in bonds denominated in the Ecu – the European currency unit – in 1998. These will also be converted into euro-denominated bonds in 1999.

These moves are important because they could allow Paris to create a large volume of euro-denominated debt soon after the launch of the single currency. This might allow Matif, the Paris-based futures market, to introduce new euro-denominated futures contracts before rival markets in London or Frankfurt. Mr Gerard Pfauwadel, chairman of Matif, hopes that creating a viable euro business ahead of its rivals will attract more institutions to do futures business in Paris.

German banks and traders fear this may put them at a disadvantage, and are pressing their finance ministry to plan for early conversion of D-Mark debt. But the German government is resisting – partly because of concern that Germans might not initially trust bonds issued in the new currency.

This is frustrating for some German bankers. "Not converting quickly would certainly favour France and not help Frankfurt at all," says an economist in one of Germany's largest banks.

Even after the launch of monetary union, some of these competitive pressures may take some time to be felt. The strong link between domestic investors and local equity and bond markets may prevent rapid centralisation, for example.

But as the single currency creates new commercial pressures, the rivalry between financial centres will mount. As one senior continental banking official says: "I cannot see how the pressure for centralisation can be avoided."

This means that for smaller continental European centres the future looks increasingly bleak. And traders can expect plenty more marketing extravaganzas from Europe's exchanges as they struggle for market share in the new world of the euro.

• OBSERVER •

Best keep it in the family

■ We know that charity begins at home, but this is getting ridiculous. At the end of October word got out that the Indonesian company PT Panutan Duta – part of a diversified industrial and resources group controlled by one Sigit Harjojudanto – will soon be richer by $40m, and will be acquiring a 10 per cent stake in a rich gold property.

Both the stake and cash come courtesy of the small Canadian exploration company Bre-X Minerals, and are in return for facilitating the the production of an Indonesian deposit. Harjojudanto just happens to be the eldest son of President Suharto.

Now we hear that Barrick Gold, the biggest North American gold producer, a few months back quietly "formed an association" with another Indonesian construction company, the Citra Group – which is controlled by Suharto's eldest daughter, Siti Hardyanti Rukmana.

Vince Borg, Barrick's vice-president of public affairs, says that as Barrick expects to operate in Indonesia it will need local suppliers: "You need roads built." Certainly. And Barrick doesn't want to encounter the sorts of problems Bre-X did, such as delays in receiving a government "contract of work" to build a mine, the uncertainty of which depressed Bre-X's Toronto-listed shares by a quarter until the Indonesian obstacles were removed.

Many miles to go

■ Passengers on Alitalia flights out of New York, Paris and London may wonder about the 'Team' logo on the struggling Italian carrier's recently introduced B767 and A321 aircraft. Critics suggesting it stands for "terrible experience, awfully mediocre" get short shrift from Domenico Cempella, the airline's boss. He explains that 'Team' is a new low-cost subsidiary, through which Alitalia hopes to change from being hugely loss-making into a "highly competitive carrier". With the airline expected to lose L1,200bn on revenues of L8,000bn revenues this year, it could do with some team spirit.

Marxist top marks

■ Which country has the best educated government? Ethiopia must be close to the top of the list, according to Roger Dunn of the UK's Control Risks Group.

He pointed out at a conference about mining in Africa last week that 14 members of the Ethiopian government recently graduated with MBAs from the UK's best known distance learning institution, the Open University; indeed, Meles Zenawi, Ethiopia's president and former Marxist guerilla, came fourth among more than 2,500 graduates.

Dunn says the government of neighbouring Eritrea, which also has swapped Marxism for liberal democracy and capitalism, was so impressed that 100 politicians, civil servants and other senior people have joined up for the university's two-year, part-time MBA course.

Popped corks

■ Remember all the fuss in mid-1995 over French nuclear tests on Mururoa atoll in the south Pacific? Consumer boycotts of French wine were threatened and indeed in some places actually happened.

Funny things, boycotts. Not that we doubt the CIVB Bordeaux wine organisation when it says that, actually, last year was quite a good one for its exports, rising by 2 per cent in volume and 13 per cent in value during the 1995-96 season, boycott or not. Taking the moral high ground were Norway – imports fell 34 per cent in volume; Denmark, where they were down by 30 per cent; and Sweden, where the drop was 56 per cent. Among those slinking round the back and helping boost sales were, in particular, Japan and south east Asia – precisely the places you might have expected the boycott to have been popular.

The lower depths

■ The UK's government-backed "Know-How" fund, set up to sell the benefits of capitalism to the former Soviet Union, is helping redress some of its pitfalls, by assisting St Petersburg's homeless sell newspapers to earn a meagre living, much as the *Big Issue* magazine is sold for the same purpose in the UK. Staff of the Scottish edition of the *Big Issue* will advise the city's homeless how to finance and promote their newspaper, known gloomily enough as *The Depths*.

Tease for Texas

■ A recent copy of the Texas Observer newspaper attributes to former Oklahoma attorney general Mike Turpen the zinger line: "Politics is show business for ugly people". Four pages later, Texan labour lobbyist Dee Dee Simpson sagely observes: "Politics is show business for ugly people". Of course, saying it twice doesn't make it any less true.

The Financial Times

100 years ago

The United States and Cuba
Washington, 14th Nov.
President Cleveland has informed a member of the Senate that the attitude of the United States in regard to the Cuban rebellion has remained as outlined in his last message to Congress. The President is represented to have added that every precaution had been taken, so that if occasion should arise the United States could assert itself by force in Cuba. He did not think, however, that such occasion would arise. A dispatch from Cuba announces that the Spanish gunboat Estrella, having been fired upon by the insurgents off Delgado Parejo, landed a party, whereupon the enemy took to flight.

50 years ago

Airlines in Australia
Mr. Ansett of Ansett Airlines, a private company operating in Australia, commenting on nationalisation at a meeting in London recently, said that so far the Australian Government had left private companies free to compete with the Government-operated Trans-Australia Air Line, and the result had been a general improvement in all the inter-State air services. The companies are competing with one another in making more comfortable conditions for passengers.

FINANCIAL TIMES
Monday November 18 1996

Pricing dispute delays Datang's London share listing

Row stalls China's LSE debut

By Peter Montagnon, Asia Editor, in London

The first Chinese share listing on the London Stock Exchange has been deferred after a row over pricing, according to bankers involved in the deal.

Beijing Datang Power Generation was scheduled to float an issue of 1.2bn shares, worth an estimated $300m, simultaneously in London and Hong Kong next month.

But the lead managers, including global co-ordinator Salomon Brothers and Kleinwort Benson, the UK merchant bank, failed to reach a deal on a suitable price after what was described as a "difficult" meeting in Beijing on Thursday.

Officially, the reason given for the postponement is the current weakness of the H-share market in Hong Kong, in which Chinese shares are traded.

Under present market conditions this would have meant the issue proceeding on the basis of a price-earnings ratio slightly above 10. But the bankers said Datang held out for a price some 25 per cent higher than this.

For a flotation to collapse at such a late stage is rare and is likely to lead to criticism of Salomon Brothers for allowing Datang to approach the issue with too high expectations. That could lead to the appointment of a new global co-ordinator if, as expected, the issue is relaunched early in the new year.

Salomon Brothers yesterday confirmed that the discussions had broken down on pricing. The investment bank, said a spokeswoman, had been advising China on the Datang privatisation for three years and had urged it to accept a price that would give the issue a good performance in the after-market. It had thus supported launching the issue at a price at the lower end of expectations. She could not comment on whether Salomon would be retained as co-ordinator when the issue was relaunched.

The postponement of the issue is a blow to the London Stock Exchange, which has been trying to promote the issue of Chinese shares to broaden its international appeal. But it is unlikely to have a long-term effect on London's appeal as a listing centre.

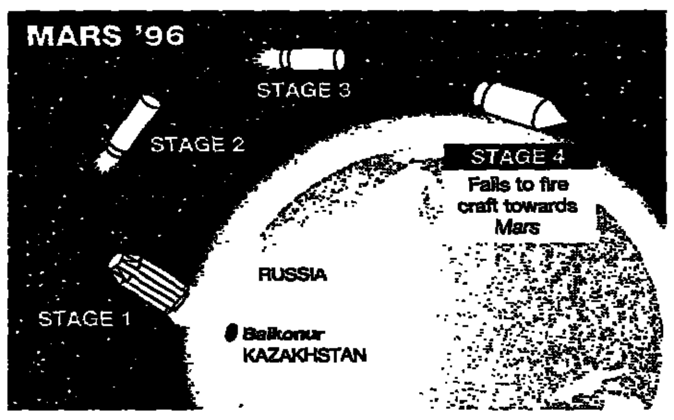
Listing requirements in London are slightly less onerous than those in New York where Chinese shares are also listed. But the discipline a London listing places on Chinese firms in terms of disclosure are still sufficient to give comfort to international institutions.

China's securities regulators have been encouraging local companies to consider London listings and are believed to have supported Datang's approach to the market.

Datang had planned to use the proceeds of the issue to help raise its generating capacity to 5,682MW from 3,150MW over the next five years.

Curse of Mars claims Russian space mission

By Clive Cookson in London and Chrystia Freeland in Moscow



The curse of Mars hit another mission to the red planet early yesterday, when Russia's Mars 96 spacecraft failed to leave the earth's orbit.

It is expected to burn up soon in the atmosphere. The last successful mission to Mars was the US Viking craft, which reached the planet in 1976.

The loss of Mars 96 is a serious blow not only for the struggling Russian space programme but also for planetary scientists worldwide. The unmanned six-tonne craft carried 23 instruments and experiments from university research teams in several European countries and the US.

Professor David Southwood of Imperial College, London, said his group had lost 10 years' work developing a device to measure magnetic fields around Mars. "It is very hard to get your instrument on a spacecraft going to Mars," he said. "It's a tremendous blow to us."

Two Russian Phobos probes were lost in 1988 and 1989, and the $1bn US Mars Observer mission failed in 1994.

The Russians do not have an official estimate for the cost of Mars 96 but it is believed to run into hundreds of millions of dollars, including western contributions.

Mr Vladimir Molodtsov, deputy manager of the Mars 96 mission, said flight controllers had lost contact with the craft. They would seek to re-establish it over the next few days.

Although the cause of failure has yet to be confirmed, there seems to have been a problem with the final stage of the four-part Proton rocket which launched Mars 96 from the Baikonur cosmodrome in Kazakhstan.

Mr Molodtsov predicted that the Mars 96 space probe would orbit for up to 30 days and then fall back to earth, disintegrating as it dropped through the atmosphere.

An unconfirmed report on NTV, a Russian television station, warned that Mars 96 had four generators fuelled by radioactive plutonium, which could pose a danger as it fell to earth.

The Russian media blamed the failure on funding problems and said the incident would tarnish the international image of the country's space exploration programme. The programme has been hit by the cash shortages that have affected all government-sponsored activities in the country.

NTV pointed out that many western European scientists had participated in the Mars 96 project, and that its failure might discourage them from co-operating with Russia in future.

Mr Peter Bond, space science adviser to the UK's Royal Astronomical Society, agreed: "I think there will be a serious question over future collaboration with the Russians."

But Mr Bond said the main lesson of the disaster was the need to stop relying on large and expensive spacecraft such as Mars 96 and Mars Observer.

Earlier this month, Nasa, the US space agency, sent the first of a new generation of smaller, cheaper missions – Mars Global Surveyor – on a 10-month journey to the red planet, and its Mars Pathfinder will be launched next month.

THE LEX COLUMN

Going for Gas

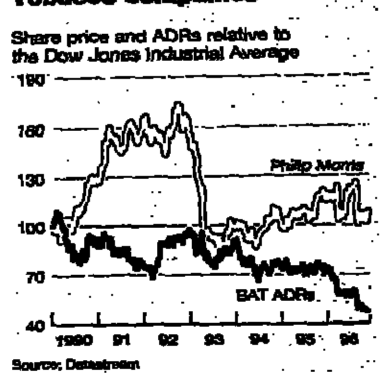
Rumours that British Gas might be gobbled up by an oil major refuse to go away; Shell is just the latest unlikely buyer alleged to be in the frame. But for all the excitement, it is worth remembering that the strategic logic of such a takeover is not compelling. Certainly, it would do nothing to solve BG's two big problems: regulation and uneconomic contracts with gas producers. Of course, Shell could cancel its own contracts with BG as part of a deal. But it would still have to count the hefty cost in its bid arithmetic.

Nor would a bid help Shell's own problem: dull returns in its existing business. True, a bid would usefully gear up its absurdly cash-rich balance sheet, but there are other ways of achieving that. Just possibly, Shell could be tempted by BG's supply business, with its strong domestic market position and flexible Morecambe gas fields. But such a link-up would probably run into competition problems. Even if not, Shell could far easier snap up the supply business once BG demerges it next year.

In short, the logic of any bid would be purely financial. But this is not necessarily to be sniffed at. The reason is that, as a utility, BG is usually valued on a crude yield basis. So the share price allows little for its exploration and production assets, which is one reason why BG should sell them. In addition, the TransCo pipeline monopoly would almost certainly attract a higher valuation as part of an oil major, which investors tend to value on a price/cashflow basis. Yet there is a snag for a bidder motivated solely by such opportunistic financial logic: it could hardly expect to have the field to itself.

Tobacco companies

Share price and ADRs relative to the Dow Jones Industrial Average



Source: Datastream

Japanese earnings

For a country shaking off its worst recession in living memory, Japan's corporate sector appears surprisingly healthy. Net profits of the 700-odd companies that have so far reported half-year results are up by more than 15 per cent – and forecasts for the full-year are being upgraded. The biggest boost has come from a weaker yen; but productivity improvements and reviving domestic demand are starting to play their part. There are black spots, particularly in the financial sector. But the big car makers and electrical goods producers are routinely declaring profit increases of 30 per cent or more.

Does this mean the stock market is cheap? By past standards, a prospective price/earnings ratio of just over 40 times for Tokyo's Nikkei index is not high. And the valuation compared to bonds is attractive – at 1.3 times, the ratio of the bond yield to the earnings yield is well below its historic average of 1.8 times. Still, investors should bear two points in mind. First, the valuation gap to bonds could be closed just as easily by a crash in the bond market, which has had a spectacular run in recent months. Second, structural changes have been confined to large manufacturers, which have made strides in lowering costs and moving production overseas. But the service sector, which accounts for 75 per cent of the economy, remains woefully inefficient. Until that changes, Japan's recovery will not be soundly based.

Philip Morris/BAT

Philip Morris' shares have crept back towards historic highs, but those of its British competitor BAT Industries remain 37 per cent below their January peak. This is puzzling. Philip Morris' trading performance may have been slightly superior and its share buy-back programme has accelerated earnings growth. But since fears over US tobacco law suits have been driving tobacco shares this year, BAT should, if anything, be faring better.

BAT has one considerable advantage over Philip Morris, when it comes to US litigation. It has ring-fenced its financial services activities, so even in any Armageddon scenario, it would have a substantial business left. This also means a clean demerger could be easily achieved. The evidence suggests shareholders would benefit substantially from a split; isolate financial services, and its tobacco business is trading on a price/earnings multiple of three. Given the dismal performance of the share price, management has every reason to take such radical action.

But if BAT dithers over demerger, it could always look at buy-backs. Repurchasing 5 per cent of its stock would immediately enhance earnings by 3 per cent. Moreover, savings from dividends would almost cover interest charges on increased debt. Tax would be a problem. But this should not be insuperable, as Reckitt & Colman demonstrated with its innovative buy-back via special foreign income dividends. However, even if BAT does nothing, it is hard to justify the yawning valuation gap with Philip Morris.

Takeovers

"The deal is earnings enhancing." How often companies utter this comforting mantra when paying a fat premium for a splashy acquisition, as if the enhancement of earnings in itself ensured that shareholders' interests are taken care of. But also how misleading! Even bad deals can boost earnings per share (eps), especially when they are paid for with cash. All that is needed is that the profits from the acquisition should exceed the interest paid on servicing the higher debt burden. With interest rates so low in most of Europe and the US, a meagre return on investment of 6 per cent to 7 per cent is usually enough to do the trick.

The flaw, of course, is that the acquirer has geared up with the result that its earnings are more volatile and so less valuable. Not that gearing up is a bad thing. It is simply that gearing up will normally boost eps even if no acquisition is involved.

Look at Great Universal Stores' $1.7bn acquisition last week of Experian. The deal enhances earnings, but only modestly. If GUS had spent the same sum buying its own shares instead, eps would have risen about 8 per cent. Or look at British Telecommunications' acquisition of MCI, which involves disgorging £4.5bn in cash. This deal will actually dilute eps by around 5 per cent. Again, if BT had used the £4.5bn to buy back shares, eps would have risen 13 per cent. In themselves, such calculations do not prove these deals are bad. But they do show the importance of comparing like with like.

Electronic money threat

Continued from Page 1

this is unlikely to happen.

Although central bankers are nervous about the implications of widespread use of e-money, they are anxious not to be viewed as Luddites. The BIS report warns that if central banks chose to issue their own e-money, they "could limit competition or reduce incentives to innovate".

While curbs are not usually imposed on the issue of single-purpose prepaid smartcards, multipurpose electronic purses, which can be used as money in a variety of places, raise different questions.

Some central bankers view them as comparable to deposit accounts, which in most countries can be managed only by authorised banks. Others see them as equivalent to travellers' cheques, on which few restrictions are imposed.

The BIS report warns that any decision will involve a trade-off: "If issuance of e-money is limited to banks, the regulatory framework already in place can be extended to cover the new products, but competition and innovation might be more limited."

Battle for fighter contract

Continued from Page 1

gramme. Both companies have had discussions with BAe in the past and are likely to start active negotiations with the UK fighter maker.

Mr James Arbuthnot, the UK's defence procurement minister, indicated the government would back an attempt by BAe to renegotiate its position. The UK is expected to contribute £120m ($198m) to the next phase of the project.

"We expect a significant share of the work to be carried out by British industry," said Mr Arbuthnot.

At stake in the competition is a contract for an estimated 3,000 aircraft.

The final stages of the competition will mark "the defining moment for . . . who is going to be the dominant force in supplying tactical aircraft around the world," according to Mr Michael Blackwell, Lockheed's senior aeronautics executive.

Boeing's design for the JSF, to will be built in three versions, is understood to include 90 per cent common parts, which will reduce construction and maintenance costs.

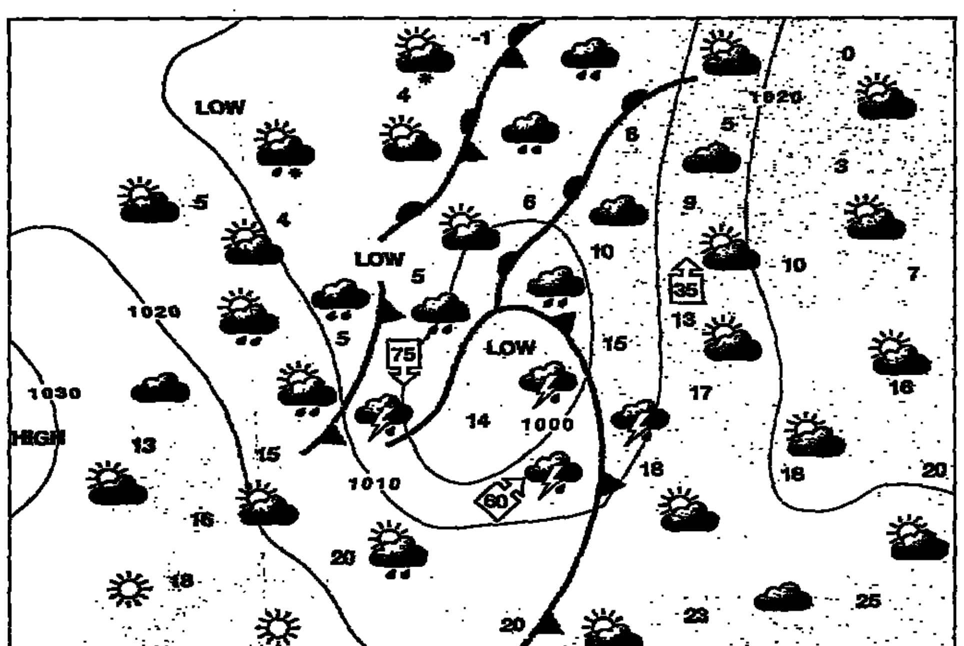
FT WEATHER GUIDE

Europe today

Southern Europe will continue to be stormy. Heavy rain and thunderstorms will affect southern France, northern Italy and the Dalmatian coast as low pressure strengthens over the Gulf of Genova. This low will also cause locally strong winds including a mistral over south-eastern France and a Tramontane over the Languedoc area. Wind speeds may reach 75 to 100kph. Meanwhile, frequent wintry showers will occur over western Europe as cold air crosses the region. A southerly flow will push warm air north over eastern Europe. As a result, temperatures will reach 22C to 25C along the south coast of Turkey.

Five-day forecast

Stormy conditions will slowly progress north-eastwards, bringing a lot of precipitation to central Europe. After a temporary return to more settled conditions, a new storm will approach western Europe from the Atlantic.



TODAY'S TEMPERATURES

Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

	Maximum	Beijing	sun 6	Caracas	shower 31	Faro	fair 17	Madrid	cloudy 11	Rangoon	fair 32
	Celsius	Belfast	shower 3	Cardiff	shower 8	Frankfurt	rain 5	Majorca	shower 15	Reykjavik	snow -7
Abu Dhabi	fair 28	Belgrade	shower 15	Casablanca	fair 18	Geneva	rain 6	Malta	fair 19	Rio	shower 31
Accra	shower 32	Berlin	cloudy 5	Chicago	fair 7	Gibraltar	fair 17	Manchester	fair 4	Rome	thund 18
Algiers	shower 17	Bermuda	fair 20	Cologne	rain 4	Glasgow	sleet 1	Manila	thund 29	S. Frsco	shower 18
Amsterdam	shower 5	Bogota	thund 20	Dakar	sun 28	Hamburg	rain 4	Melbourne	cloudy 16	Seoul	fair 9
Athens	cloudy 19	Bombay	sun 33	Dallas	sun 24	Helsinki	cloudy 8	Mexico City	fair 22	Singapore	shower 31
Atlanta	rain 18	Brussels	shower 4	Delhi	sun 26	Hong Kong	fair 21	Miami	fair 27	Stockholm	cloudy 5
B. Aires	shower 24	Budapest	thund 14	Dubai	fair 30	Honolulu	shower 27	Milan	thund 10	Strasbourg	rain 6
B.ham	fair 5	C.hagen	rain 5	Dublin	shower 3	Istanbul	cloudy 17	Montreal	rain 6	Sydney	rain 20
Bangkok	fair 34	Cairo	fair 25	Dubrovnik	thund 17	Jakarta	shower 32	Moscow	cloudy 5	Tangier	shower 17
Barcelona	fair 15	Cape Town	fair 20	Edinburgh	shower 2	Jersey	shower 6	Munich	rain 5	Tel Aviv	fair 29
						Karachi	sun 30	Nairobi	thund 24	Tokyo	fair 16
						Kuwait	fair 26	Naples	thund 15	Toronto	fair 4
						L. Angeles	fair 22	Nassau	fair 25	Vancouver	shower 7
						Las Palmas	cloudy 24	New York	cloudy 10	Venice	thund 13
						Lima	cloudy 22	Nice	shower 17	Vienna	rain 8
						Lisbon	fair 15	Nicosia	sun 24	Warsaw	cloudy 10
						London	fair 5	Oslo	rain 4	Washington	rain 16
						Lux.bourg	sleet 2	Paris	shower 5	Wellington	rain 17
						Lyon	rain 7	Perth	fair 22	Winnipeg	fair -4
						Madeira	shower 20	Prague	thund 5	Zurich	rain 6

FINANCIAL TIMES
COMPANIES & MARKETS

Monday November 18 1996

UK carmaker Lotus to provide technological expertise, says Malay prime minister

Malaysia plans world car export drive

By John Griffiths in London

Malaysian industry plans to use Lotus, the UK sports car and engineering group, to provide technological expertise for an export drive into world markets, according to Dr Mahathir Mohamad, Malaysia's prime minister.

The country is likely to produce up to 1m cars more than its domestic market can absorb, and Europe will be a prime target for the surplus, Dr Mahathir said in an interview. Lotus will help with the design, engineering and technology.

Perusahaan Otomobil Nasional Berhad (Proton), Malaysia's "national" car manufacturer, took a majority stake in Lotus for £30m ($48.4m) just over two weeks ago. It plans to build a £7m design and engineering facility at Lotus's Norfolk headquarters.

Lotus, which employs about 1,100, has derived most of its income from consultancy engineering projects for big industry customers such as General Motors and Chrysler. By building a separate facility for Proton projects, its new Malaysian owners hope Lotus will be able to retain its independent consultancy activities.

Malaysia currently produces 250,000 cars and mini-cars per year, some 200,000 made by Proton. The company is preparing to build a much larger factory capable of producing an additional 500,000 units a year by the end of the decade.

"Our problem is that we have a small population with a low per capita income and therefore we very quickly saturate the market. At the moment we are selling almost 400,000 cars a year, but we must go beyond that," said Dr Mahathir. Malaysia had to export cars in order to achieve production economies of scale. To do so, he said, Malaysia "must have the kind of quality and association with known names like Lotus so that they will be more readily accepted."

Dr Mahathir said it was now "wholly realistic" to undertake a controlled expansion of Malaysia's car industry. "When we first talked about producing our own cars in Malaysia people almost laughed in our face."

He said Malaysia expected less hostility – particularly in Europe – to its car exports than is the case with Korea, which has already captured nearly 2 per cent of western Europe's new-car market and which is experiencing increasing trade friction.

Compared with Korea, Malaysia is far more open to imports, he said.

"We have every make of car in Malaysia. So we don't see why anyone should object to us selling our cars in their countries," said Dr Mahathir.

Lotus, which may also establish an engineering centre in Kuala Lumpur, is expert in composite materials and produced its own lightweight aircraft engine. Dr Mahathir said this could also form part of an export drive.

"We need these capabilities not just for motor vehicles but also for boats and aircraft; we are already producing three different kinds of trainer aircraft," said Dr Mahathir.

He said that Malaysian cars were selling in 18 countries apart from its domestic market at the moment, although the country had not mounted an export drive. He said it was "for us to learn how to have an export drive".

Sterling disservice to UK equities

Higher interest rate is a boon for the currency, but there is a downside

London is the world's coolest city, according to Newsweek magazine. Sterling, so long the whipping boy of the foreign exchange markets, is wiping the floor with other currencies. Even the England football team has been winning.

But while the UK may be attracting cultural tourists and currency speculators, its bond and equity markets seem unwanted and unloved.

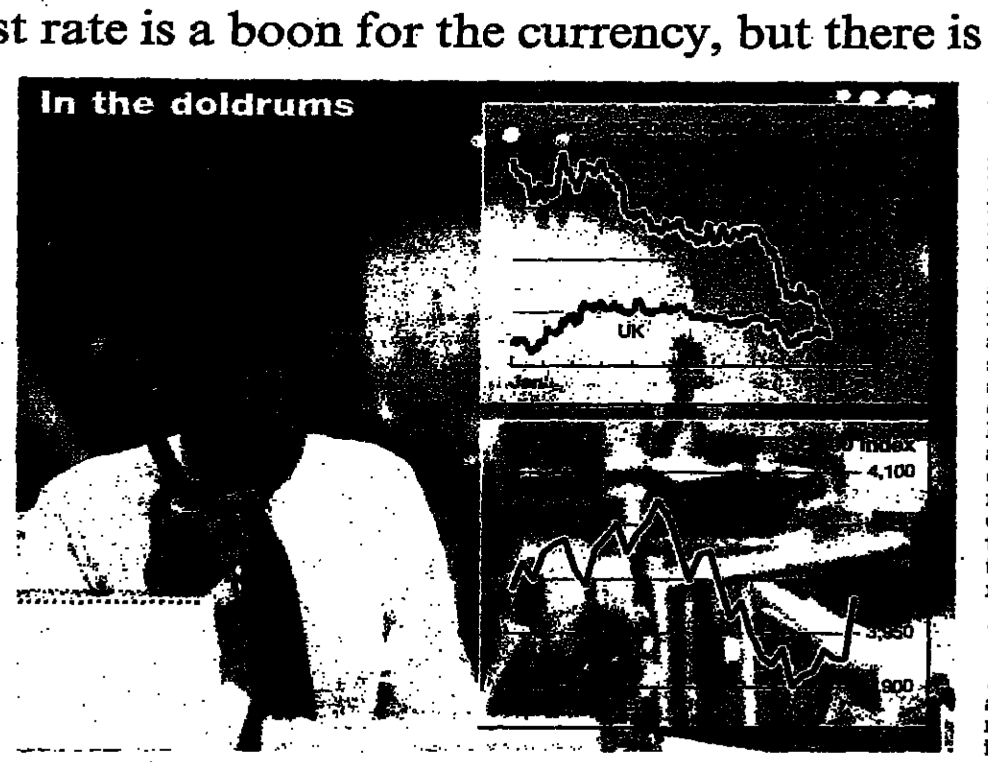
On Wall Street, the Dow Jones Industrial Average was chalking up one all-time high after another last week; but London's FTSE 100 index, even after Friday's rally, is languishing 120 points off its all-time high. Gilts are now yielding more at the 10-year level than previously "high-risk" countries such as Italy or Spain.

"For the first time in a while, UK assets are doing their own thing, rather than following Wall Street or Europe," says Mr Robert Buckland, UK equity strategist at HSBC James Capel.

One reason is the difference in monetary policy between the UK and elsewhere. As strategist Mr Richard Kersley of BZW says: "The UK is virtually the only place in the world where interest rates are going up."

The chancellor's quarter of a percentage point increase in base rates at the end of October caught the markets by surprise – many analysts had assumed he would be unwilling to raise rates before the UK general election, due by end-May 1997.

But once rates had been increased, the markets started speculating on how much further, and how fast, they would have to rise.



Last week's bigger-than-expected fall in unemployment, stronger-than-forecast unit wage costs and sudden jump in headline and underlying inflation pointed to the potential for further imminent rate moves.

Short sterling futures, the market's vehicle for speculating on rate changes, is looking for short-term rates of 7.5 per cent by end 1997; base rates are currently 6 per cent.

Rising interest rates are bad news for equities. First, borrowing costs increase and profits fall. Second, investors find it relatively more attractive to hold cash.

Third, theoretically, the value of shares is equal to the total of future dividend payments, discounted to the present day; if the discount calculation is performed using prevailing interest rates, the higher rates are, the less shares are worth.

Higher rates are also helping sterling to rally and that is putting pressure on equities.

"Hot money is chasing competitive deposit rates and international investors are putting money into sterling deposits," says Mr Buckland.

Three-month German interest rates were three-quarters of a percentage point higher than those in the UK in early 1994; now the UK offers a premium of 3.25 percentage points over Germany.

Sterling has accordingly risen from DM2.29 at the start of August to DM2.51 by Friday night, and from 84.5 to 91.9, on a trade-weighted basis, over the same period.

However, a stronger pound makes it more difficult for UK exporters to compete and reduces, in sterling terms, the profits of subsidiaries abroad. "The 8 per cent rise in sterling since May is equivalent to 2-2½ per cent off corporate earnings," says Mr Buckland.

Nor do gilts seem to be benefiting from sterling's rise. They managed to rally on Thursday, despite the poor inflation figures, because bargain-hunters moved in when the spread between UK and German 10-year government bonds briefly passed two percentage points.

But the trend has been for gilts to underperform European bond markets.

Although many have been taken aback by the move in UK bond yields among those in Italy and Spain, Mr Nigel Richardson, head of bond research at Yamaichi International (Europe) is not surprised.

"Comparing UK and Italian bond yields at the moment is like comparing apples and oranges," he says. "Some countries, such as Italy, have increased their chances of being part of European monetary union and bond investors are discounting the reduced currency risk. The UK is not only unlikely to join monetary union but investors face the extra risk of an imminent general election."

Mr Richard Jeffrey, Charterhouse group economist, also feels that gilt yields do not fully reflect the probability that inflation will rise over the coming year. "There could be some nasty economic surprises in store for gilt investors," he says.

So can anything revive the fortunes of UK shares and bonds? One factor holding both back, says Mr Kersley, is the UK budget on November 26. The market is worried that Mr Kenneth Clarke, the chancellor, will unveil a giveaway budget, designed to bring his party electoral popularity.

"A tight Budget could change market perceptions," he says. "There would be less need for interest rates to rise and that in turn would take the wind out of the currency's sails."

In short, the markets would rather Mr Clarke played Scrooge than Santa.

Philip Coggan

Suez closer to property loan portfolio sale

By David Owen in Paris

Suez, the French financial and industrial holding company, is to enter detailed talks with a fund led by Goldman Sachs, the US investment bank, on the sale of a portfolio of property loans valued at some FFr4bn ($780m) net of provisions.

The group said its Crédisuez unit had decided to pursue discussions with Whitehall Street Real Estate Limited Partnership VII. This fund had been selected after preliminary talks with several potential investors. Talks with Whitehall could be concluded in about two months.

If completed, the deal may be the largest yet by a French company attempting to reduce its exposure to the depressed domestic property market. Earlier this year, Union des Assurances de Paris, the insurance group, sold a portfolio of property loans with a gross value of FFr8.2bn to a consortium led by Whitehall. Before that, Suez itself sold a smaller FFr745m loan portfolio.

International investors led by US investment banks believe the French property market could be poised for a recovery after years of falling rents and values.

The developments of the past few days come more than four months after it emerged that three US investment banks, including Goldman, had been short-listed to acquire a total of FFr11bn in property and loans from Suez.

In spite of receiving offers for this larger portfolio, the group has decided to hold on to the property – at least for the time being.

Suez, which is being advised on the current transaction by Lazard Frères, said yesterday that the move was part of a strategy of reducing its exposure to property risks by 2001. Already, its holdings have dropped from FFr19.7bn at the end of 1994 to FFr12.4bn; property provisions have reached 55 per cent of that remaining total.

The group also made clear that successful completion of the deal was "compatible with a positive consolidated profit for 1996". Last month it announced a return to profit, to the tune of FFr772m, for the first six months of the year after heavy losses last year. Mr Gérard Mestrallet, the chairman, said at the time that the group might withdraw from property before 2001 "if it is in our interests".

The company's announcement, which followed reports that it was on the brink of disposing of the portfolio, lifted its shares by FFr4.10 to FFr224.10 on Friday.

INSIDE

Microsoft

Microsoft has rallied seven of the world's top computer and consumer electronics manufacturers behind an attempt to create a mass market for pocket-sized personal computers. The computer software leader unveiled Windows CE, a version of its widely used Windows programme for use in hand-held personal computers.
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Japanese construction

First-half results from Japan's construction companies show the industry is gradually pulling out of recession, but with some groups doing markedly better than others.
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Telefónica

Telefónica, the partially state-owned Spanish telecommunications group, has set the stage for its full privatisation at the beginning of next year with sustained earnings growth over the first nine months of this year. Pre-tax profits rose 24.4 per cent to Pta210.8bn ($1.66bn) at the end of the third quarter compared with the same period last year.
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Fund Management

The buoyant US market for private equity is one place enterprising fund managers can turn to when equity markets look overvalued, bonds are flat and a shift into short-term investments risks depressing returns. Page 22 Merchant Navy fund opts for TAA. Page 22

Global Investor

The essential question about central and eastern European equity markets is whether they will achieve the explosion in capitalisation, relative to gross domestic product, seen in other emerging markets in recent years.
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France Télécom leads winning GSM group

By Virginia Marsh in Bucharest

Consortia led by France Télécom and by AirTouch Communications/Telesystem International Wireless have won two mobile telecommunications licences in Romania, central Europe's second largest market.

The groups, expected to invest more than $500m installing and operating the global system for telecommunications networks, beat four other bidders.

Within hours of the announcement on Friday, Telefónica, the Spanish operator, said it would take legal action over the government's failure to award it one of the contracts.

It said it was promised a GSM licence when it set up a local analogue mobile phone system in 1992. It had tried to block the tender before entering a last-minute bid.

Romanian authorities maintain Telefónica was only given the right to bid for a licence.

The licences attracted strong interest as mobile phone companies have enjoyed great success elsewhere in the former Eastern bloc, one of the world's fastest growing areas.

Hungary, for example, which set up a GSM system in 1994, has nearly 500,000 mobile phone subscribers, 5 per cent of the population, and analysts value Westel, the elder of the two operators, at about $1bn.

Romania, which has a population of 23m, is one of the last in the region to set up a GSM system.

The other bidders were a consortium of Stet of Italy, Bouygues, the French construction group, and Goldman Sachs, the US investment bank. Another group comprised Motorola of the US and two Scandinavian operators, TeleDanmark and Telenor.

Analysts say there is considerable potential for GSM in Romania, given the poor quality and low density of terrestrial lines and long waiting lists for subscribers.

The MobilRom consortium, in which France Télécom has a 51 per cent stake, said it estimated the local market at 1.3m subscribers by 2006.

The consortia will each pay $50m for a 10-year concession as well as an annual fee of $5m. They will be required to cover eight large cities as well as the country's main European transit routes within 18 months and at least 65 per cent of the country within five years.

Both groups said they aimed to cover 85 per cent or more of the country and to meet the minimum criteria more quickly than stipulated.

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UK utility begins bid defence

By Simon Holberton

Northern Electric, the north-east of England electricity company subject to a £766m hostile bid from CalEnergy, a US independent power producer, will today unveil the first leg of its bid defence. The move comes amid market rumours that there are more bids to come in the electricity sector.

Northern will dismiss CalEnergy's 630p a share bid as too low and remind shareholders that in initial talks with directors, CalEnergy indicated a higher price.

It will also highlight the potential value for shareholders in its 8 per cent shareholding in Ionica, a telecommunications company, and Sovereign Oil and Gas, a small oil and gas production company. The company has decided, however, to wait until the end of the month to publish its interim results.

Investors are concerned that the CalEnergy bid will be referred to the Monopolies and Mergers Commission. This worry has depressed Northern's share price and in part explains why CalEnergy, which launched its bid two weeks ago, has been able to amass 29.45 per cent of Northern so early in the bid process.

Publication of Northern's initial defence comes amid speculation that another bidder is preparing to enter the contest for control of the company. Entergy, a south-east US utility, is believed to have considered making a bid for Northern at around 690p a share.

The company is said by bankers and industry executives claiming to be familiar with its intentions to want an agreed deal. Entergy's name was also linked at the weekend to a possible bid for Yorkshire Electricity.

Mr Tony Coleman, Yorkshire's finance director, said: "We have not heard from them [Entergy] or anyone else for that matter." He said speculation about bids in the sector was inevitable, but described it as "a desperate attempt by people to make [talk of bids] self-fulfilling."

COMPANIES AND FINANCE

Merchant Navy fund opts for TAA

By George Graham, Banking Correspondent

Tactical asset allocation managers yesterday claimed a breakthrough for their fledgling investment approach when one of the UK's largest independent pension funds appointed a new manager to decide on its overall asset mix.

First Quadrant, a US owned investment manager which uses computer-based quantitative techniques for distributing assets between different markets and asset classes, will be the sole tactical asset allocation manager for the Merchant Navy Officers Pension Fund's £2.3bn ($3.79bn) portfolio.

MNOPF's existing fund managers will continue to pick shares or bonds for the portions of the portfolio allocated to them, but First Quadrant will provide an overlay, shifting the fund's overall exposure to particular markets or currencies by buying and selling index futures.

"The great advantage is that it doesn't interfere with what the underlying manager does. His job is to generate excess returns by stock selection, and one of the worst things you can do is to keep taking money away from him when you decide you want less exposure to his market," said Mr Bill Goodsall, managing director of First Quadrant's London operations.

The Pasadena-based investment manager, which now runs nearly $8bn for 30 clients, made its first inroads into the UK market earlier this year when it won a similar tactical asset allocation mandate from the £600m pension fund of the John Lewis Partnership, the employee owned retail chain.

The Merchant Navy Officers Pension Fund, which like John Lewis uses R Watson & Sons as its consulting actuary, is four times as large.

Mr Goodsall said the mandate represented "a milestone in the growing acceptance of systematic tactical asset allocation as a management approach for large and complex pension scheme arrangements".

Tactical asset allocation managers won a reputation in the US when they placed their clients' money in cash before the 1987 stock market plunge.

In recent years, however, pension funds have been more sceptical about the advantages of the approach.

A recent survey by fund managers PDFM showed a drop in the use of tactical asset allocation managers from 8 per cent 6 per cent of pension funds questioned. PDFM officials said "probably reflects a general failure" by such managers to add value.

Pension funds seek more of the action

Tracy Corrigan on 'private equity' in the US

When equity markets look overvalued, bonds are flat and a shift into short-term investments risks depressing returns, where can an enterprising fund manager turn?

One answer is the buoyant US market for private equity – the blanket term for investments in unlisted companies, which include leveraged buy-outs, mezzanine and venture capital.

Once the territory of only a small group of specialist investors, it is now widely viewed by pension fund managers as part of an alternative asset class, along with property, in which to invest around 5 per cent of their portfolios. They hope that this sort of alternative investment will help them enhance returns, as well as avoiding the cyclical swings which may hit mainstream financial markets simultaneously. Given the vast sums of money they manage, even 5 per cent amounts to a massive pile of cash.

This partly accounts for the rapid growth of the market. In the first 10 months of this year, more than $20bn has flowed into private equity funds, which are structured as partnerships. Last year, the total was over $28bn, up from $21bn in 1994, and $13bn in 1993, according to Private Equity Analyst, a monthly magazine which tracks the market. In 1980, just before the leveraged buy-out market took off, the total was less than $1bn.

Most private equity funds limit themselves either to investing in LBOs or venture capital. "The buy-out market is much bigger because investments are made in established companies," said Mr Stephen Galante, editor of Private Equity Analyst. After collapsing along with the junk bond market in 1990, the LBO market is now bigger than at the peak of its fame in the late 1980s, when the technique was used to fund financially-driven takeovers.

Venture capital and other private equity funds are usually smaller, because the businesses are at an earlier stage of development. Furthermore, given the nature of the investment, which may involve turnround situations, many fund managers believe that they can only manage a limited number of investments effectively.

"Private equity dollars are active dollars," said Mr Craig Whiting, a partner of Weiss, Peck & Greer, a private equity partnership. "When we make an investment we are on the board of directors."

The growth of the private equity market has also been boosted by the strength of the stock market. The main

FUND MANAGEMENT

drawback of private equity that it is a very illiquid asset. An investor has no idea when he will be able to get his money back. But one of the easiest ways of realising profit is to float the company on the stock market.

A buoyant IPO (initial public offerings) market, therefore, vastly increases an investors' chances of getting out at a good price. Selling to a trade buyer, another way of exiting, is also easier in a strong market, since it allows buyers to issue stock to pay for the purchase, and gives the seller a stronger negotiating position.

But for the LBO funds, though, there is a reverse side of the coin. Because they are dealing with more developed businesses, they are competing for opportunities with big companies. "Corporate buyers use stock and can pay a higher price," explains Mr Larry Schloss, a managing partner of DLJ Merchant Banking Partners.

Still, there is another reason for investors' enthusi"Over five, 10 or 15 years, it is a 20 per cent plus return class," said Mr Schloss.

This helps explain why investors have put up with the high levels of fees typically charged by such funds. Recently, though, big pension funds such as the California Public Employees' Retirement System (Calpers) have started to grumble.

Last month, nine public pension funds including Calpers put out a report calling for best practices to be adopted in the private equity market, in an effort to align more closely the interests of the partners who manage the funds and the investors.

Suggestions included advisory boards, negotiating reasonable levels of fees and creating disclosure provisions for broad conflicts of interest. The report also called for other options to be considered, such as setting hurdle rates.

In theory these pension funds can exert enormous pressure. The nine which commissioned the report manage $500bn in assets between them, of which $30bn is invested in private equity, but the reality is that private equity funds have had little problem raising new money. KKR and DLJ are completing sizeable new funds. If anything, the competition is among the pension funds to get into the private equity funds, rather than the other way round.

Nonetheless, the central point of the pension funds argument is correct. "The private equity market has become a $100bn business, yet terms and conditions in this industry haven't changed much in 20 years, even though the industry has matured and the size has grown dramatically," said Ms Sheryl Pressler, chief investment officer at Calpers. While fees are likely to remain high, more uniform terms and conditions are likely to emerge in the coming years, some private equity fund managers believe.

Fund to target inclusive approach

By William Lewis, Investment Correspondent

An investment fund based on the findings of a UK royal society inquiry will be launched this week by Kleinwort Benson Investment Management, the fund manager owned by Dresdner Bank.

KBIM's authorised exempt unit trust will have a governance committee to ensure it invests only in companies that comply with the report of the Tomorrow's Company inquiry of the Royal Society of Arts, Manufactures and Commerce.

Sir Anthony Cleaver, chairman of AEA Technology and of the Tomorrow's Company inquiry, will chair the committee.

The Tomorrow's Company report, backed by 25 of the UK's largest companies and published in June 1995, recommended a so-called "inclusive approach" to enhance competitiveness.

This includes changing the adversarial attitudes that normally mark relations between companies in the supply chain, reducing companies' dependence on financial measures of success, and encouraging directors to broaden their understanding of legal responsibility. "It is rooted in stakeholding but it is goes beyond that," said Mr Paul Sheehan, an assistant director at KBIM and manager of the fund.

KBIM said last week the portfolio would consist of around 70 that qualified through score-card testing.

CORRECTION

Berisford

Berisford, the kitchens and joinery group, is expecting annual pre-tax profits of not less than £25m before exceptional restructuring charges. A report in Saturday's FT omitted the word "not".

Telefónica in solid position ahead of sale

By Tom Burns in Madrid

Telefónica, the partially state-owned Spanish telecoms group, has set the stage for its full privatisation at the beginning of next year with sustained earnings growth over the first nine months of this year.

Pre-tax profits rose 24.4 per cent to Pta210.8bn ($1.66bn) at the end of the third quarter against the same period last year, and net profits were up 19.8 per cent at Pta120.2bn. The results were in line with expectations and continued the steady net profit growth of 18.2 per cent in the first quarter and 19.5 per cent in the first half of this year.

The finance ministry is scheduled to sell the remaining 21 per cent of Telefónica in late January or early February, in a disposal that would realise more that Pta469bn at current market prices. The government is studying a "golden share" safeguard that would include provisions to prevent third-party acquisitions of more than 10 per cent of the telecoms group when it is privatised.

Ahead of the government's equity disposal, which will represent the largest share offering in Spain, the operator is due to acquire outright ownership of its profitable subsidiary Telefónica Internacional (Tisa), with the purchase from the finance ministry of the 23.7 per cent it does not already own.

The acquisition, valued at Pta140bn–150bn, is expected shortly and will significantly increase the group's earnings.

The cornerstone of Telefónica's income continued to be the basic telephony sector on its home ground, where improved demand offset a tariff freeze and indicated further earnings potential as prices drop and economic activity rallies.

Revenue from the core domestic business was up 13.3 per cent to Pta1,025bn and basic telephony represented a 60 per cent contribution to group profits.

Telefónica will be seeking to defend its entrenched core business as Spain's telecoms sector approaches full deregulation. A second basic telephony operator is due to start business in the middle of next year.

Under a recent agreement with the European Commission, the domestic industry will be fully liberalised in August 1998.

The government's decision to open the domestic telecoms market to foreign competition has lifted a threatened ban by Brussels on Telefónica's membership of Unisource, an alliance with the Dutch, Swedish and Swiss operators which is linked to AT&T of the US.

During the first nine months of this year the group's income surged 114.8 per cent to Pta178.7 in the mobile telephony business, which contributed 11 per cent to earnings, up from 6 per cent a year earlier.

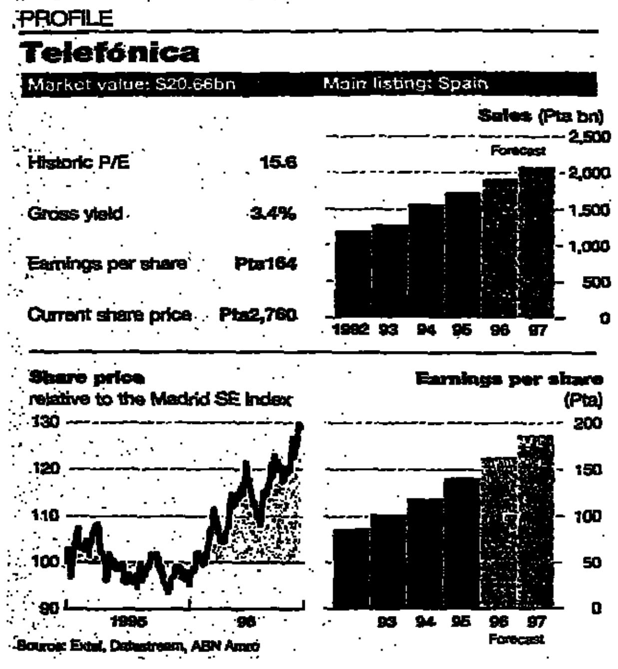
Profits earned outside Spain and grouped in Tisa, which is strongly positioned in Chile and Peru and is the main foreign operator in Latin America, rose 15.6 per cent to Pta258.3bn, representing 15 per cent of total group income.

Telefónica's figures were further improved by lower interest rates, which were responsible for a 15.4 per cent fall in debt charges to Pta145.7bn. Total debt fell 2.7 per cent to Pta1,941bn.

Telefónica's strategy is aimed at developing value-added services, and it is looking to be a main player in the introduction of digital television services in Spain next year.

PROFILE

Telefónica



Mixed results from Japanese construction companies

By Daniel Bögler in Tokyo

First-half results from Japan's construction companies show the industry is gradually pulling out of recession, but with some groups doing markedly better than others.

Of Japan's big four general contractors, Obayashi and Kajima reported higher earnings and strong new orders, while Taisei and Shimizu announced a reduction in sales and profits and disappointing order intakes.

Obayashi remains easily the most profitable of Japan's large construction firms, with a 42 per cent improvement in unconsolidated pre-tax profits to Y15.2bn ($136.8m), on turnover up more than a quarter.

The Osaka-based company said the favourable results came against a backdrop of steady public works investment and a slight pick-up in private sector construction.

Kajima, which celebrated its first increase in interim profits for five years with a 14 per cent rise to Y10.3bn, benefited from the same factors and cited an increase in residential housing starts.

Both Shimizu and Taisei, which saw their pre-tax numbers fall by 13 per cent and 39 per cent respectively, blamed sluggish property prices and the diminishing number of large-scale public works projects as the government's fiscal stimulus package declined.

While Taisei's problems carried through to earnings, Shimizu produced a 12 per cent increase at the net profit level due to a decline in last year's extraordinary losses.

Order books are looking much healthier across the industry. The top 50 contracting companies reported a 13 per cent year-on-year increase in new orders in the six months to September.

However, much of that came in September itself as private residents sought to escape next year's rise in the consumption tax – which applies to houses in Japan – by booking building work before the deadline at the end of the month.

Mr Simon Atkinson, building analyst at SBC Warburg in Tokyo, warned that the tax change had merely pulled forward demand and not increased it, implying a weaker second half.

Kajima, which booked a 33 per cent jump in orders, estimated that the consumption tax accounted for a fifth of that.

However, that still left it well ahead of rivals Obayashi, with orders up 26 per cent, Taisei, which recorded an 8 per cent rise, and Shimizu which managed only a 1 per cent increase.

Kajima also announced that it would be taking an extraordinary loss of Y14bn in the second half of the year to write down the assets of Kajima Europe, its Netherlands-based subsidiary, from Y26bn to Y12bn. The group will cover the loss by selling securities.

For the year to March, Obayashi forecasts a 6 per cent improvement in pre-tax profits to Y32bn, while Kajima expects a 9 per cent rise to Y25bn.

Taisei believes its profits will fall by 2 per cent to Y26bn and Shimizu expects a 3 per cent decline to Y25bn. All four companies are maintaining their dividends at last year's level.

Lex page 20

Japanese construction companies (¥bn)

First half non-consolidated results

	Company Sales	Recurring profits 1996	Recurring profits 1995	Net profits 1996	Net profits 1995
Kajima	659.5	10.3	9.0	4.7	4.5
Shimizu	647.8	10.3	11.8	5.1	4.6
Taisei	632.3	8.2	13.6	5.3	6.9
Obayashi	630.3	15.2	10.7	6.4	4.4

Source: Companies

McDonnell hopes shot down by Pentagon snub

The US aerospace group's exclusion from the strike fighter race casts further doubt on its future independence

The future independence of McDonnell Douglas, the troubled US aerospace and defence group, was cast in doubt at the weekend by a Pentagon announcement that the western world's new-generation strike fighter will be made either by Lockheed Martin or Boeing.

Its exclusion from the prototype stage of a contract which could be worth up to $170bn over 20 years was the third damaging shock to McDonnell Douglas in almost as many weeks.

In the past month, Mr Harry Stonecipher, chief executive, has sacked Mr Herb Lanese, head of his successful fighter aircraft division, and withdrawn from the struggle to compete on equal terms in the market for commercial jet-liners with Boeing and Europe's Airbus.

Mr Lanese departed the scene as a result of irreconcilable differences with his boss, a man known for his uncompromising and decisive management methods, who had been widely expected to restore McDonnell to its place alongside the industry's leaders.

McDonnell then surrendered the market for long-range, high-capacity commercial aircraft after deciding that a plan to stretch its 300-seat MD-11 to carry more passengers, or extend its range to allow it to compete with Boeing's 747 family and Europe's Airbus, was not worth the financial risk.

The company's share of the world airliner market has tumbled from 22 per cent to less than 10 per cent in the past six years.

It suffered another setback recently when it was pushed out of the competition – by Lockheed – to design a re-usable successor to the space shuttle.

If the Defense Department's decision is a blow for McDonnell's partners in the joint strike fighter programme (JSF) – British Aerospace and Northrop Grumman – it was potentially disastrous for Mr Stonecipher, who recently described the contract as a "must win".

More than 70 per cent of the company's current earnings come from military fighter aircraft – mainly the F-15, the FA-18, and, in partnership with BAe, the Harrier jump jet.

Although an update of the FA-18 is due in service with the US Navy soon, the JSF is likely to dominate western military markets for well into the next century. Its launch customers will be the US air force, navy and marines and the British navy, and projections suggest a total of 3,000 will be built.

Soaring ahead: with McDonnell out, Lockheed Martin's JSF concept is now favourite to win the Pentagon contract

The weekend announcement was all the more bitter for McDonnell since Boeing, its main rival in commercial craft – and which is probably now the underdog in the next stage of the competition with Lockheed – has not acted as the lead contractor on any military fighter project since the 1930s.

Lockheed, a bitter rival recently threatened with a boycott by McDonnell, is also lead contractor on the development of the F-22 fighter project for the US air-force.

McDonnell, which said it would content itself with a niche role in the commercial market after scrapping its MD-11 modification plan, is now likely to urgently reassess its future in the military sector.

The most likely options include reopening the search for a partner, the most promising of which may well be Boeing. The companies broke off exploratory talks earlier this year, leaving McDonnell looking increasingly like the loser in the whirl of takeovers, restructurings and mergers which have transformed the US aerospace and defence industries in the past five years.

Lockheed Martin, a combination of Lockheed and Martin Marrietta, recently scooped up most of Loral and is now twice as big as McDonnell in terms of sales.

Other companies have shifted into specialised business sectors, either commercial or defence-related. McDonnell, almost alone among the biggest groups, still has a broader range of interests than is currently fashionable.

The company's main strength, and arguably Mr Stonecipher's most significant achievement to date, is its still-falling cost base.

As one official pointed out recently, McDonnell's ability to generate profits from the low-volume output of commercial aircraft is the industry's equivalent of making an anti-gravity machine.

It also has guarantees of substantial revenues for the medium-term future from contracts to build 80 C17 transporters for the Pentagon, and the revamped FA-18 is also strongly favoured by the US airforce.

But its failure in the JSF race has served to underline an apparent decline in its technological prowess. Mr Stonecipher, who recently said the project was so vital he had not even thought about losing the competition, has some hard thinking to do.

Christopher Parkes

Prepaid advertising plan buoys sentiment at Televisa

By Daniel Dombey in Mexico City

Grupo Televisa, Mexico's biggest media company, will today report increased revenues from the prepayment scheme that provides about three-quarters of its television advertising sales.

Analysts expect payments made under the scheme, known as the French Plan, will be about 6 per cent up on last year's total of 4bn pesos ($506m) once inflation is taken into account.

Worries about stagnating French Plan receipts had depressed the company's stock in recent weeks. Mexico's television advertising market has become more competitive than seemed possible four years ago, when Televisa enjoyed a 90 per cent share of viewers and its networks' chief rival, Televisión Azteca, was still in state hands.

Azteca has since built a market share of between 20 and 25 per cent, spearheaded by a hard-hitting soap opera, salacious footage of Mexico City's crimes and accidents, and news programmes with greater objectivity than Televisa's pro-government bulletins.

As negotiations for the French Plan began to close, Azteca took out advertisements emphasising the jump in its viewing numbers. Televisa responded with advertisements disputing the figures and revealing the ratings of its own, top-ranked shows – mainly soap operas and football matches.

While the publicity war raged, at least one advertiser sided with the upstart. On October 11 it emerged that Unilever had decided to use just Azteca for television advertising in 1997. Televisa stock fell 6 per cent that day, although Unilever had never been one of its top 15 advertisers.

As a media producer, Televisa has large fixed costs, so a decline in sales is likely to result in a proportionately greater fall in operating profits. More bad news came when paper manufacturer Kimberly-Clark de México also declined to use the French Plan for 1997.

"Evidently, the market is more competitive than it was before. Evidently, ratings are more important. But the French Plan is still alive and well and working," said Mr Guillermo Cañedo White, Televisa's vice-president of finances.

However, the French Plan can be inconvenient and disadvantageous for advertisers. While it offers advertisers bonuses, such as extra slots, it commits them to the same level of expenditure each year, regardless of Televisa's ratings.

"The French Plan made sense when Televisa was the only advertising medium in the country for mass consumption products," said Mr Shayne McGuire, an analyst at Deutsche Morgan Grenfell in Mexico City. "But now there is another player in the market with market share of 20 per cent and above, the French Plan no longer makes sense in its original form."

Scitex slips further into deficit

By Judy Dempsey in Jerusalem

Scitex, the Israeli-based manufacturer of printing and video products, has reported a net loss of $151m for the third quarter of this year, after a sharp fall in demand in the graphic arts market.

The heavy deficit, which exceeded analysts' forecasts, includes a $56m restructuring charge and a $54m charge for receivables and inventory.

The losses are the equivalent of $3.53 a share on revenues of $142m, compared with a net loss of $86m, or 85 cents a share, on revenues of $185m over the same period last year.

Net losses for the first nine months of 1996 totalled $154m compared with a net loss of $19m. Revenues fell 2 per cent to $527m.

The losses have precipitated a restructuring in the graphic arts division, Scitex's flagship, which accounted for 43 per cent of total revenues in the third quarter compared with 60 per cent last year.

Mr Yoav Chelouche, chief executive, said there were plans to cut the workforce in the graphic arts division by 400 to 2,100. Scitex employs 3,500 worldwide. In addition, the company will close facilities in the US and Europe, and rationalise product lines by concentrating on four products: image-setters, scanners, proofers and on-demand printing.

Mr Chelouche said the reorganisation was aimed at making the graphics arts division more flexible.

Microsoft unveils Windows for hand-held PCs

By Louise Kehoe and Paul Taylor in Las Vegas

Microsoft has rallied seven of the world's top computer and consumer electronics manufacturers behind an attempt to create a mass market for pocket-sized personal computers.

Yesterday the computer software leader unveiled Windows CE, a version of its widely-used Windows programme for use in hand-held personal computers (HPCs).

At the same event – before today's opening of Comdex, a computer trade show in Las Vegas – new pocket-sized computers were launched by Compaq Computer and Hewlett-Packard of the US, Casio Computer, Hitachi and NEC of Japan, LG Electronics of Taiwan and Philips of the Netherlands.

By establishing software standards for hand-held computers, Microsoft believes it can rejuvenate a market tainted by the failure of products such as the Fujitsu Poquet Computer, the Microsoft Envoy and the Apple Newton.

In particular, Microsoft and its partners are careful to avoid calling their miniature computers "personal digital assistants", a term associated with Apple Computer's Newton. The Newton, which was heavily promoted by Mr John Sculley, former Apple chairman and chief executive, failed to live up to consumer expectations.

The new generation of "standards based" hand-held PCs are a challenge to market leaders such as Psion of the UK, and Sharp of Japan, both of which use proprietary software. The HPC is designed for people who already have a PC. A user might, for example, carry a hand-held computer at meetings and later plug the hand-held PC into his desktop PC.

Unlike Apple's Newton, which relies upon handwriting recognition technology for inputting data, the new hand-held PCs incorporate diminutive keyboards. Designs and features differ among manufacturers, but they all have a "clam shell" case with a touch-sensitive screen in the lid. Using a pen-like stylus, users will be able to select programs and functions from a display similar to that of a standard PC running Microsoft's Windows95. Prices are expect to range from about $300 to $1,000.

Programs built into the HPC will include simplified versions of Microsoft's word processing and spreadsheet applications, as well as software for accessing Internet e-mail and the World Wide Web.

Microsoft appears to have pulled off a marketing coup by gathering the support of some of the largest PC and consumer electronics manufacturers. Pioneers of the hand-held computer bravely maintained, however, that they will benefit from new competition.

"Microsoft certainly helps [to] validate the market," said Apple Computer. The hand-held PC will not, however, displace the Newton, the company insisted. "Windows CE is a first generation operating system with virtually no business users ... the Newton operating system has been on the market for three years ..." Apple said.

ITC responds to probe with executive revamp

By Kunal Bose in Calcutta

ITC, India's largest tobacco group, which is being investigated by finance ministry officials for alleged violation of foreign exchange control regulations, is to install three independent non-executive directors in the next few weeks.

The move begins the management restructuring of ITC, which is 32 per cent owned by BAT Industries of the UK, after the Enforcement Directorate, the finance ministry's investigatory agency, raided the company offices and arrested several past and present officials on October 30.

Analysts say the move shows that Indian financial institutions, which own 38 per cent of ITC, are finally in accord with BAT on new board appointments. A senior executive said the independent non-executive directors would be expected to enforce "proper corporate governance".

The board, which agreed to "extend all support" to the ministry officials to complete their investigation quickly, constituted a committee to find out if there was prima facie evidence against any of its employees or executive directors of breach of duties. The committee has also been empowered to recommend to the board changes in the management structure and delegation of powers.

Mr Saurabh Misra, deputy chairman, and Mr R.K. Kutty, director, who are in judicial custody, have been divested of executive powers pending the outcome of inquiries by the committee. The same applies to Mr F.R. Vevaina, the other deputy chairman, who has not yet been questioned by the finance ministry because of illness. The board resolved that any other director or officer arrested or charged by the Enforcement Directorate would be automatically suspended.

An executive said: "For the first time since the outbreak of the crisis, the company has been able to give a clear message to the finance ministry that it will not countenance wrong-doings by its officers."

The board has created an interim management committee with Mr Y.C. Deveshwar, chairman, and chief executives of tobacco and paper divisions to run day-to-day affairs.

The board said the company would have a new management structure. BAT has suggested the separation of the roles of chairman and chief executive.

The board will meet again on November 25 to finalise ITC's six-month results.

Southern likely to seek $850m for Cepa buy

By Louise Lucas in Hong Kong

Southern Company, the US electricity group, is poised to tap the capital markets for around US$850m to help pay for its purchase of Consolidated Electric Power Asia, the Hong Kong-based power group.

Bankers involved in submitting proposals for the issue say it is likely to take the form of a syndicated loan.

In view of the loan size and Southern's reputation in its home market, the syndication is expected to take place in the US, although Asian banks would participate. It is understood the four banks most actively pursuing the deal are from the US.

After distributing the $600m which comes from Cepa's own balance sheet, Southern Company requires around $2bn to pay for the 80 per cent of Cepa it is buying. This will be made up of some $1.2bn equity and the $850m of debt.

The 60:40 split between equity and debt represents almost double the amount of equity usually injected into project finance deals, and as such bankers say the loan structure will combine elements of both project financing and corporate finance.

"You have to blend the project finance risks with the security provided by the amount of equity injected into the borrower itself. So the non-recourse idea of project financing has to be mitigated to some degree by the very large equity exposure on the part of the parent company," said one banker involved in the submissions.

From the corporate side, Southern enjoys a good name in the US markets and has a long list of relationship banks. It says it has a strong A credit rating on a composite basis, based on its five operating subsidiaries. Of these, the biggest, Georgia Power, has a rating of A+ from Standard & Poor's.

Pricing of the five-year bullet facility will depend heavily on how much comfort bankers derive from Southern's name and equity. Cepa's power projects will also be analysed, raising the question of both delays to projects and foreign currency risk.

The company now has six cash-generating power stations in China and the Philippines. The two China plants pay a mix of Chinese yuan and hard currency; in each case, around one-third of tariffs are paid in yuan.

"In a lot of the projects the foreign currency risk has already been contemplated," said a banker.

FINANCIAL TIMES

MARKETS

THIS WEEK

Global Investor / Peter Martin

The conundrum of change

The chart shown alongside captures the essential question about central and eastern European equity markets: *will they achieve the explosion in capitalisation, relative to GDP, seen in other emerging markets in recent years?*

Yes, say analysts who follow the region. HSBC James Capel, for example, believes that the market capitalisation of central Europe, at least, "could easily rise 10-fold over the next five years". But exactly how the transformation will be achieved is harder to judge.

As the chart shows, Asian emerging markets are well ahead of Latin American ones in terms of market value to GDP.

Central and eastern Europe come a poor third. But less than a decade ago, *Asia and Latin America* were both languishing on this measure, much as the merging European economies are today.

The theory that these and *other peripheral European* economies are poised for rapid rises in stock market *capitalisation – over and* above any increases generated by GDP growth – *assumes that a similar transformation* in investors' perception of the region will *take place as in Asia and* Latin America in the late 1980s and early 1990s.

What is unsettling about this argument is that it comes at a time when many *of the region's stock markets* have already risen sharply: Hungary has doubled in dollar terms this year, and Russia has done almost as well.

Poland is up by half. Further sustained gains in total market capitalisation require *sustained economic* growth and a steady flow of enterprises on to the public *markets as privatised entities* become more conventional listed companies.

Most of all, it assumes that investors will ignore the political uncertainty that *still hangs over the region*. The biggest is that Russia's current apparent progress towards political stability will prove a mirage. If that were to happen, then not only would Russia's own economy and stock market be badly affected, but so would those of neighbouring countries.

A related political risk is that the misty hopes of membership of the European *Union for* central European states might begin to look less likely – perhaps because *the EU turns out* to be unable to reach agreement on the internal reforms necessary to allow enlargement, perhaps because it proves incapable of offering the security guarantees that are an implicit part of the bargain of membership.

Without the prospect of progress towards EU membership, central European markets might look less attractive.

Such political uncertainties did not exist for Asia and Latin America during their rapid rise in stock market capitalisation.

A second type of risk is more specific to emerging Europe, yet equally hard to assess. The economies of central and eastern Europe may indeed achieve rapid economic growth, in an increasingly stable political environment. Their workforces may achieve the wealth-creation that high levels of education and competitive wages seem to promise. But quoted companies may not fully participate in the rewards of that growth.

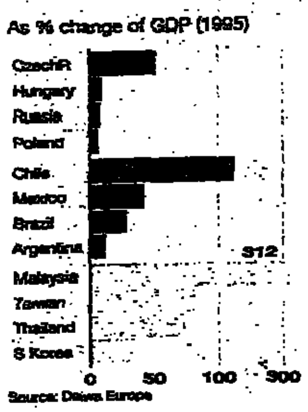
Instead, it may flow disproportionately to foreign investors and to those local entrepreneurs who have been able to establish unquoted business empires on favourable terms during the turmoil of privatisation and covert expropriation of formerly state-owned enterprises. Economic maturity, in short, may not be accompanied by financial maturity. In practice, this risk is likely to affect some economies more than others.

The third broad risk is one of timing. The rise in value of Latin American and Asian markets has been extremely vulnerable to short-term setbacks. The collapse in value in Mexico last year and in Thailand show how rapidly the valuations of emerging markets can change, even where the long-term investment case remains strong.

Central and eastern Europe remain ripe for economic transformation; indeed, in much of the region the process is now well advanced. Such a sweeping change will produce big potential gains for investors, but at considerable risk. Those who wish to profit will have to choose between a blind-faith strategy based around buying and holding a portfolio diversified as widely as possible across the region; or devoting the time and effort needed to establish the exact level of risk associated with individual economies and companies. An in-between strategy – dropping in and out of whatever market seems to be hot – is likely to produce the worst of all worlds.

Market capitalisation

As % change of GDP (1995)



Source: Daiwa Europe

Total return in local currency to 15/11/96

	US	Japan	Germany	France	Italy	UK
	% change over period					
Cash						
Week	0.10	0.01	0.06	0.06	0.15	0.12
Month	0.45	0.04	0.26	0.29	0.69	0.49
Year	5.89	0.51	3.93	5.81	10.69	6.68
Bonds 3-5 year						
Week	0.42	0.18	0.37	0.18	1.04	0.24
Month	1.72	0.50	0.47	0.73	3.08	-0.97
Year	5.67	2.83	7.75	11.73	24.87	7.39
Bonds 7-10 year						
Week	0.70	-0.33	0.67	0.40	2.02	0.88
Month	3.08	1.16	1.41	1.23	4.79	-0.61
Year	5.40	6.54	9.95	15.45	37.78	9.38
Equities						
Week	1.1	0.5	2.1	0.3	2.9	0.6
Month	4.7	-0.3	3.1	4.1	6.8	-2.4
Year	26.8	11.5	27.4	27.2	15.5	15.2

Source: Cash & Bonds - Lehman Brothers. Equities-© FT/Excel Index Unit. The FT/S&P Actuaries World Indices are jointly owned by FT-SE International Limited, Goldman Sachs & Co., and Standard & Poor's.

COMPANY RESULTS DUE

Compiled By AFX News

ING set to report good growth in nine months

ING Group, the Netherlands-based insurance and banking company, is expected to report on Thursday net profit for the nine months to September of between Fl 2.283bn and Fl 2.361bn ($1.36bn) compared with Fl 1.514bn a year earlier. Earnings per share is seen rising to between Fl 3.17 and Fl 3.32 from Fl 2.75, restated for ING's 5-for-2 share split in May.

With the publication of its results for the first six months of 1996, which showed net profit up 27.9 per cent at Fl 1.514bn, ING cautioned that the first half growth rate in group profit should not be expected to be *the same as in the second half.*

The analysts' nine-month *forecasts put third-quarter* year-on-year net profit growth at between 10 per cent and 21.2 per cent. They expect the slowdown from the first half to be the result of slower earnings growth on ING's banking side, where first-half pre-tax profit surged 39.2 per cent to Fl 1.019bn on a 45 per cent rise in commission income to Fl 1.288bn and proprietary trading results more than doubling to Fl 534m from Fl 208m.

Analysts at ABN Amro forecast nine-month net attributable profit of Fl 2.295bn or Fl 3.22 per share after deduction of Fl 35m, putting net profit at Fl 2.330bn. They expect third-quarter pre-tax profit from ING's banking activities to rise 7 per cent to Fl 545m. Third-quarter pre-*tax profit from insurance is* seen rising 24 per cent to Fl 606m, following the 16.8 *per cent rise to Fl 1.162bn in* the first half, they said.

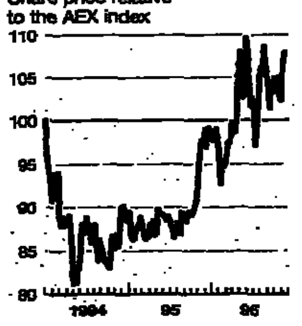
Mr Bart van der Feen de Lille, *analyst at IRIS, expected* insurance earnings to show a 22 per cent rise from *life business, a 21 per cent* increase in non-life results and 14 per cent growth in the investment result. "Non-life results in the third quarter should be just about at the top of their cycle. There may be some growth left next year, but I think ING has already seen the strongest growth," he said.

ING's non-life operations should benefit from improving domestic market conditions and from the absence of the Fl 60m hurricane losses at St Maarten in the 1995 third quarter, although the 1996 third quarter was hit by hurricane Fran with losses of some Fl 25m, said analysts.

AFX News, Amsterdam

ING

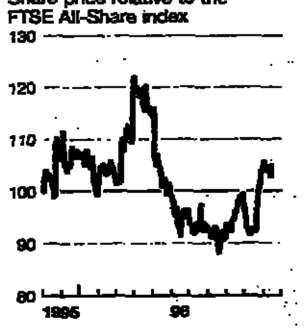
Share price relative to the AEX index



Source: Datastream

Cable and Wireless

Share price relative to the FTSE All-Share index



Source: Datastream

■ Australia and New Zealand Banking Group is expected to report on Wednesday net profit of between A$1.01bn (US$790m) and A$1.075bn before exceptionals, slightly down from the previous year's A$1.15bn.

Analysts said pressure on margins due to increased competition kept profits flat in the year, while the benefits of cost reductions are not expected to be reflected in the profit and loss account for another 12 months.

Mr Greg Cathro, analyst at Todd Partners, said: "Interest rate falls will have helped their margins, but I think competition has eroded those gains in the last 12 months." He said the market would focus on charges for bad and doubtful debts, which were are expected to rise, though from a low base. "Overall there might be some modest growth but I don't expect too much," Mr Cathro said.

Mr Eric Betts, analyst at Nomura Research, said the *market was expecting solid* growth in operating revenue and gains from international trade finance through the Grindlays unit in India, Pakistan and southeast Asia. "Last year [trade finance] was about 12 per cent of profit and this year we should see that figure go higher, but we won't see a huge jump," he said.

Ms Anusha Srinvasan, analyst at Shaw Stockbroking, said a rationalisation of Grindlays, the shifting of its headquarters to Melbourne from London and the introduction of telephone banking will add to the bottom line. "The pressures will come from the domestic market and it's the last quarter which is going to be crucial," she said.

Analysts said attempts to offset pressure on margins by higher volumes of business were highlighted by Westpac Banking last week. *In reporting its full-year* results, Westpac forecast that earnings growth would depend *on the bank's ability* to improve income fees as opposed to margins. Analysts said this could equally be applied to ANZ. Ms Srinvasan said Westpac's interest spread had shrunk by 13 basis points in its fourth quarter to September.

AFX News, Sydney

■ Interim figures from Cable and Wireless on Wednesday will be awaited with more interest than usual following its recent £5bn ($8.25bn) cable deal.

The merger of C&W's Mercury subsidiary with Bell Cablemedia, Nynex Cablecomms and Videotron has also prompted a raft of other rumours which analysts will be anxious to substantiate.

Most prominent among these were newspaper reports that the company was considering reducing its stake in Hongkong Telecom to below 50 per cent in order to gain access to the burgeoning Chinese telecoms market.

Suggestions of other tie-*ups and alliances, this time* with overseas operators, are also likely to be of interest to analysts.

Further details of the cable merger are likely to be forthcoming.

INTERNATIONAL EQUITIES By Conner Middelmann

Bought deals enter the limelight

The French government's successful disposal last week *of its remaining stake in Elf* Aquitaine, the oil, chemicals and drugs group, has brought a renewed *focus to* bought deals in the international equity market.

The government *sold the* bulk of its remaining 9.85 per cent stake in the group in two portions: 4.6 per cent of Elf's share capital – some 12.58m shares – was placed with institutional investors through a bought deal, and 4.5 per cent was purchased by an Elf subsidiary.

The market placement, executed by Paribas Capital Markets and SBC Warburg, is the second-largest bought deal executed in the international capital markets. The largest such transaction was the $1.3bn sale of shares in Enterprise Oil by ICI in 1990.

Other recent bought deals have included the sale of 1.2m shares in Société Générale by Compagnie de Navigation Mixte via Paribas, executed on the same day as the Elf deal; the disposal of 2.4m shares in Cap Gemini, the French software firm, by the French holding company CGIP, via HSBC James Capel and Merrill Lynch; and the sale of 457,000 shares in IMS, *the metal services company,* by Suez and 3i, also via Merrill Lynch.

A bought deal involves a bank buying a block of shares using its own capital and selling them on to investors at a profit, or a "turn". Bought deals represent considerable advantages over book-building, which was imported from the US.

As bought deals are ideally completed within hours, vendors can get their money quickly and are spared elaborate marketing exercises.

Moreover, governments can make significant savings as the turn for banks underwriting a bought deal – often less than 1 per cent – tends to be less than the fees they charge for book-built offerings, which average around 3 per cent.

However, there are also some disadvantages. Since the bank's own capital is used, a bought deal is much riskier than book-building, as the bank can suffer heavy losses if it cannot sell the shares or the market turns sour during distribution.

Moreover, the vendor usually has to accept a lower price in return for speed and secrecy.

Some say this means vendors do not realise the full value of the assets they are selling. "If a government sells taxpayers' assets via a bought deal, can they really put their hand on their heart and say they got the best price?" says one banker.

He feels the Elf stake might have been sold at a higher price through a three-day book-building process – a faster version of the lengthy procedure used for most initial public offerings and large privatisations. But while bought deals will not supplant book-building, they are likely to remain popular under certain conditions.

"Companies – in the public or private sector – with shares that are listed, liquid and well-known among investors are strong candidates for bought deals," says a banker.

Meanwhile, commercial banks seeking to strengthen their position in the fiercely competitive equity market are likely to use their balance sheets as a selling point to win mandates for bought deals.

"Traditionally, commercial banks have had the balance sheets to do these kinds of deals, while investment banks had the distribution capability needed to place them," says one banker. "In the future, commercial banks with strong global distribution – such as Deutsche Morgan Grenfell, CS First Boston, SBC Warburg and UBS – will be best placed."

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FTSE International Limited and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS	FRIDAY NOVEMBER 15 1996								THURSDAY NOVEMBER 14 1996					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	%chg since 29/12/95	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg from 29/12/95	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	52 week High	52 week Low	Year ago (approx)
Australia (78)	215.65	13.5	191.66	151.45	168.10	181.61	6.9	4.21	213.53	190.33	150.32	167.55	179.42	218.14	179.98	179.98
Austria (24)	184.27	5.6	163.94	129.41	143.64	144.43	11.3	1.96	183.80	163.82	129.36	144.22	144.15	195.04	168.36	169.86
Belgium (27)	227.58	8.8	202.48	159.83	178.46	174.43	14.9	3.82	226.36	201.78	158.35	177.82	173.63	227.58	197.59	198.43
Brazil (28)	179.16	29.9	159.40	125.82	140.49	339.57	37.6	1.80	179.04	159.58	125.03	140.48	338.57	189.70	124.63	163.42
Canada (118)	191.73	29.2	170.56	134.65	150.34	185.64	26.1	1.64	190.78	170.05	133.43	149.76	184.53	191.73	143.76	143.76
Denmark (30)	338.28	17.4	301.62	238.08	265.84	266.92	22.8	1.73	337.78	301.07	237.78	265.04	266.31	339.02	276.89	279.92
Finland (24)	238.57	27.7	212.52	167.75	187.31	227.45	33.4	2.21	234.89	209.37	165.25	184.31	223.87	238.87	171.73	221.26
France (93)	210.89	17.6	187.71	148.21	165.42	168.63	22.5	2.90	209.16	186.43	147.24	164.12	167.24	211.40	167.70	181.40
Germany (58)	188.59	15.2	167.78	132.44	147.88	147.88	21.4	1.70	187.21	166.86	131.78	146.89	146.89	188.59	159.60	160.30
Hong Kong (58)	483.30	24.7	429.99	339.41	378.95	479.77	24.7	3.22	488.15	433.31	342.22	381.46	482.59	486.15	354.67	360.58
Indonesia (27)	224.64	-	199.86	157.76	176.15	221.99	-	1.59	217.34	193.72	153.00	170.54	211.46	-	-	-
Ireland (16)	319.07	24.9	283.87	224.07	250.19	269.51	20.0	3.26	317.30	282.89	223.42	249.04	268.95	319.32	249.80	250.86
Italy (59)	81.87	14.5	72.84	57.49	64.20	92.78	6.2	2.24	81.90	73.00	57.66	64.26	92.82	84.53	67.22	69.52
Japan (480)	142.47	-8.0	126.75	100.05	111.72	100.05	-1.0	0.77	142.58	127.09	100.37	111.88	100.37	164.68	137.62	141.11
Malaysia (107)	585.01	20.2	518.70	409.43	457.16	588.59	19.4	1.10	582.38	519.09	409.97	456.97	586.65	587.74	427.35	430.44
Mexico (27)	1221.75	17.9	1086.99	858.01	958.09	10558.81	21.0	1.24	1220.00	1087.42	858.83	957.29	10572.70	1325.66	824.25	824.25
Netherland (19)	322.35	18.2	286.79	226.38	252.77	248.80	24.7	2.97	319.19	284.50	224.69	250.45	246.58	322.35	258.18	258.18
New Zealand (15)	92.11	15.6	81.95	64.68	72.22	69.25	7.0	4.01	92.56	82.50	65.16	72.63	69.00	94.36	75.84	79.73
Norway (38)	277.98	20.2	247.32	195.22	217.98	236.85	20.4	2.11	274.36	244.72	193.27	215.43	236.88	277.98	222.24	226.01
Philippines (22)	195.61	-	174.03	137.37	153.38	258.03	-	0.62	194.60	173.71	137.19	152.92	256.19	-	-	-
Singapore (43)	412.59	1.3	367.08	289.75	323.52	265.98	0.2	1.01	411.16	366.48	289.44	322.63	265.46	465.21	393.57	363.57
South Africa (44)	328.71	-14.7	292.46	230.85	257.76	335.78	9.4	2.31	326.09	290.65	229.56	255.87	334.24	437.76	314.20	372.81
Spain (37)	195.61	18.4	173.98	137.30	153.31	188.06	23.9	3.18	195.72	174.45	137.78	153.57	188.33	195.72	161.61	151.61
Sweden (48)	409.12	31.1	363.96	287.31	320.81	401.40	31.1	2.12	402.98	359.16	283.66	316.18	395.54	409.12	294.19	306.96
Switzerland (37)	248.59	5.3	221.17	174.58	194.93	197.04	17.0	1.50	248.90	220.07	173.80	193.73	195.05	254.34	219.29	226.26
Thailand (45)	129.94	-22.8	115.60	91.25	101.89	128.19	-22.1	2.68	127.74	113.86	89.92	100.23	126.16	193.95	112.17	148.05
United Kingdom (213)	265.54	15.2	236.25	186.47	208.22	236.25	14.3	3.97	263.08	234.49	185.20	206.43	234.49	268.54	222.43	224.29
USA (624)	299.93	19.4	266.84	210.63	235.19	299.93	19.4	2.00	298.38	266.95	210.76	234.92	298.39	299.93	243.29	243.29
Americas (795)	274.54	18.9	244.26	192.80	215.28	230.74	19.9	1.98	274.01	244.23	192.88	215.01	230.26	274.54	221.26	221.26
Europe (719)	231.52	15.3	205.99	162.59	181.56	198.48	15.8	2.95	229.66	204.70	161.67	180.21	195.05	231.52	184.31	195.42
Nordic (137)	350.50	27.1	311.84	246.15	274.84	300.78	28.7	2.07	345.85	308.26	243.46	271.37	296.97	350.50	281.15	277.67
Pacific Basin (876)	160.34	-3.6	141.67	111.83	124.86	113.48	1.9	1.23	159.27	141.96	112.12	124.97	113.71	177.01	150.59	150.88
Euro-Pacific (1595)	189.24	5.2	168.37	132.90	148.39	144.77	8.3	2.11	188.48	168.00	132.68	147.89	144.37	190.57	169.35	169.35
North America (742)	293.50	18.9	261.13	206.12	230.15	282.45	19.7	1.99	292.94	261.10	206.21	229.86	291.84	293.50	237.14	237.14
Europe Ex. UK (506)	206.08	15.3	183.12	146.13	163.16	172.01	20.7	2.33	206.95	184.10	145.40	162.07	170.77	206.08	174.81	175.54
Pacific Ex. Japan (396)	306.47	15.6	272.66	215.23	240.32	264.66	13.5	2.81	305.87	272.63	215.32	240.01	264.01	306.47	243.59	244.36
World Ex. US (1810)	191.30	5.8	170.20	134.35	150.01	150.13	8.3	2.10	190.52	169.82	134.12	149.49	149.68	191.55	170.24	170.24
World Ex. UK (2221)	221.53	11.0	197.10	155.58	173.71	186.73	14.2	1.84	221.00	196.98	155.57	173.41	186.39	221.53	189.62	189.62
World Ex. Japan (1954)	269.17	17.5	239.48	189.03	211.07	252.48	17.8	2.36	268.09	238.95	188.72	210.36	251.49	269.17	221.31	221.31
The World Index (2434)	225.32	11.4	200.47	158.24	176.69	193.17	13.6	2.05	224.63	200.22	158.13	176.26	192.69	225.32	192.65	192.65

 Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.65 (US $ Index), 114.45 (Pound Sterling) and 123.22 (Local); Brazil, Thailand and Americas: Dec 31, 1994 = 180.44 (US $ Index), 154.67 (Pound Sterling) and 184.02 (Local); Indonesia and Philippines June 28 1996 = 214.14 (US $ Index), 204.33 (Pound Sterling) and 184.46 (Local). CONSTITUENT CHANGE WITH EFFECT 18/11/96: Addition: Deutsche Telekom (Large Cap) (Germany) (Share weighting 32.8%). Market closed 15/11/96: Brazil.

MARKETS: This Week

Having driven the 30-year long bond yield back through the 6.5 per cent level last week, the bond market may find it hard to find fresh impetus this week.

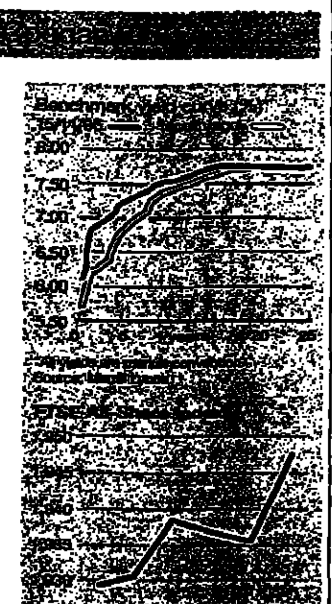
With a light economic calendar, there is little to drive bond prices to further heights. October housing starts on Tuesday and the September trade figures on Wednesday will be watched for signs of relative economic weakness or strength.

Analysts expect housing starts to come in unchanged at 1.44m, while the trade deficit is forecast at $9.5bn compared with $10.8bn. The Federal budget deficit statement at the start of a new fiscal year on Friday could show a deterioration in October budget data after exceptionally positive news in 1996, according to analysts.

But there could be some technical support from the Federal Reserve, which typically buys bonds for its own account at this time of year to add reserves to the banking system in order to offset the seasonal rise in currency in circulation.

Over the longer term, the view on the broader interest rate environment continues to improve. Having been all but convinced that the US Federal Reserve would tighten in the summer, a growing number of analysts and investors now believe the next move in interest rates will be down rather than up, with some analysts betting on an easing early next year.

This should continue to provide a positive environment for the stock market, after the Dow Jones Industrial Average ended above 3,500 points last week, though some analysts feel the post-election rally may be running out of steam.



The UK markets will be hoping to start the week as they closed on Friday, with both gilts and equities rallying. Earlier in the week, a succession of strong economic numbers, and a poor inflationary figure, pointed to the need for further interest rate rises.

Gilts have suffered, relative to their European counterparts, for some time from the perception that the UK is unlikely to join in European monetary union; the spread relative to German government bonds has widened and gilts yield more than bonds in Spain and Italy.

But last Thursday, bargain hunters appeared when the spread over Germany widened beyond two percentage points, or 200 basis points. Of course, another set of strong economic data may set the bears in motion again; the most likely suspects are retail sales and broad money supply on Wednesday or the Confederation of British Industry monthly trends survey on Friday.

Equities gained a lift from the repeated records on Wall Street, although UK traders remain suspicious of the Dow's strength. Bid rumours continue to circulate, although recently the biggest deals have involved UK companies bidding for US corporations – takeovers which do little to help the London market.

Investors are likely to be cautious in the run-up to the Budget on November 26; Mr David Schwartz, stock market historian, says the market traditionally performs badly in the last five trading days before the Chancellor's package is revealed. This time a give-away Budget might please the electorate but would rattle the markets.

FRANKFURT By Andrew Fisher

There was a touch of fever in the air last week on the German stock market as the Deutsche Telekom issue neared its climax.

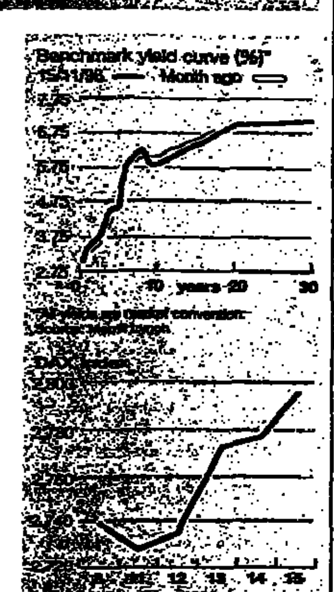
Excitement will continue today with the start of official dealings in the shares, the price of which was fixed yesterday at DM28.50 – near the top of the DM25 to DM30 book-building range.

With a flood of applications from domestic investors, Telekom is likely to be at least five times oversubscribed. The total issue could approach DM20bn, against the original estimate of DM15bn. In the grey market ahead of official dealings, the shares settled around DM33.50 on Friday after being near DM35.

The DAX index obligingly put on a strong performance ahead of the price-fixing, advancing 0.6 per cent to a record 2,795.80. The slightly higher dollar helped, as did firmness in bank shares. Continued discussion on restructuring the German banking industry pushed up shares in Commerzbank and Bayerische Hypotheken und Wechsel-Bank.

Several analysts have forecast a level above 3,000 for the DAX next year. Landesbank Rheinland-Pfalz says a period of consolidation after the continued rise this year would hardly come as a surprise. But a further move towards 2,900 by year-end is possible.

One effect of the Telekom issue could be to distort the October M3 money supply figures due this week. Mr Julian Jessop, an economist at Nikko Europe, says the movement of money from longer-term assets into short-term deposits could lead to a significant, though temporary, rise in M3 rather than the expected fall.



TOKYO By Gwen Robinson

The announcement last week by Prime Minister Ryutaro Hashimoto of a package of financial reforms in the style of London's Big Bang was welcomed by investors. But analysts are sceptical that he will be able to push through the reforms within his declared five-year time-frame.

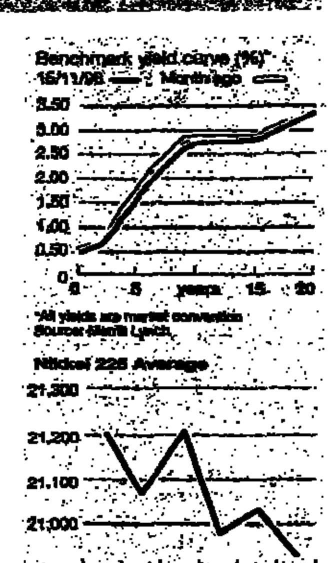
"The plan is broad and lacking in detail, which makes any meaningful assessment impossible. But the more important question, perhaps, is whether the Hashimoto government has the clout to follow through with its proposed measures," noted Mr Shigenori Okazaki at SBC Warburg in Tokyo.

Mixed signals on the economy from data released last week continued to fuel uncertainty among investors, reflected in the recent see-saw course of equities and growing volatility in bonds.

Household spending fell 4 per cent year-on-year in September, compared with expectations of a 1 per cent rise. Many economists question the government's methods of compiling the household spending survey, but use of the figures will almost certainly keep third-quarter GDP in negative growth for the second consecutive quarter.

Domestic wholesale prices, meanwhile, remained soft in spite of the yen declining 0.7 per cent in October. However, the widely-watched leading index of economic indicators for September, due later this week, is expected to rebound above the 50 per cent dividing line between growth and decline.

With the current lack of market incentives, investors' attention is likely to return to economic and policy fundamentals, analysts say.



The upward trend among leading European bourses held in place last week, but the pace slowed and sentiment showed occasional flashes of latent fragility.

PARIS

French equities hit a new peak on Friday, after several days of frantic scrambling for stock as corporate activity – both real and imagined – fuelled high volumes in several sectors.

Brokers expect the immediate way ahead to be dominated by selected financial shares. The Axa-UAP insurance mega-merger has pushed corporate restructuring to the forefront of investor thinking.

Banks are seen as the area most likely to produce the next outbreak of consolidation.

Economic and results news remains thin on the ground. The latest survey of industrial investment trends is due out today, and industrial production for September emerges on Friday.

Tomorrow takes in results from troubled leisure leader, Euro Disney. Carrefour, the supermarkets group which is one of this year's top performers in the CAC-40 index, holds an analysts' meeting on Thursday.

AMSTERDAM

The stock market followed Germany to fresh all-time peaks last week. The firmer dollar supplied important underpinning, and so too has the strength of oil prices, given the weighting of Royal Dutch in the leading AEX index.

To this extent the investor focus is likely to remain on outside influences, although the overall mood remains positive. Most broking houses are banking on further gains for shares in the run-up to the Christmas break.

This week's corporate news centres on results from financial leader ING and CSM, which was recently caught up in takeover speculation with rival foods group, Bolswessanen. ING puts out nine-months numbers on Thursday. CSM reports on Wednesday.

ZURICH

After a record-setting performance last week, as retail, construction and engineering stocks moved higher, it will be Nestlé's turn to take centre stage on Wednesday.

The international food group is expected to report sales of about SFr48.4bn ($38bn) for the 10 months to October, compared with SFr45.7bn over the same period of 1995, with much of the increase stemming from the positive impact of a weaker Swiss franc.

During the first 10 months of this year, analysts say, Nestlé's results enjoyed a positive currency effect of 0.6 per cent, compared with a negative effect of 0.5 per cent a year earlier.

The shares, which began the year at about SFr1,300, and peaked in July at SFr1,486, were marked up SFr12 at SFr1,433 in Friday's record Swiss market.

HONG KONG

Brokers are predicting consolidation for Hong Kong this week after Friday's 115-point correction on the benchmark Hang Seng index, which breached 13,000 in climbing to a new all-time peak on Thursday, *writes Louise Lucas*. While more profit-taking is expected, many brokers see the trend towards the year-end remaining on the upside. The market is now on a price/earnings multiple of about 13 to 14 times 1997 earnings and, in the absence of a rise in interest rates, sentiment is set to remain strong.

Goldman Sachs, which has trimmed its Hong Kong weighting to neutral, says the territory's performance has been driven by the improving US interest rate outlook, rising confidence in the mainland Chinese economy and Hong Kong's attractions relative to the region.

The broker has become more cautious on residential property lately, but remains positive on office property stocks, conglomerates and banks.

COMMODITIES By Kenneth Gooding

Gold risks under examination

Fears that some European countries will make substantial sales from their official gold reserves in order to meet the criteria for monetary union are making the market nervous. Analysts are divided about whether any such sales will take place, but those who are betting on a fall in the precious metal's price certainly have the upper hand at present.

More light will be shed on the subject by two of this week's events.

On Tuesday in London the City Forum Central Banking conference includes a session about the role of gold in the global financial system, and on Wednesday the World Gold Council presents its analysis of global gold demand trends in the third quarter of this year.

The central banking forum will allow delegates to look more closely at the possibility that some European states might be tempted to sell gold so that they can qualify for Emu.

In the unlikely event that all those countries that could sell gold to qualify for Emu did so, the market would be swamped. It would add up to 2,300 tonnes – more than all the gold mined last year.

Even before the Emu fears took hold, gold disappointed the bulls. Many analysts expected the price this year to average $400 a troy ounce but, despite a spike at $415 in February, the average so far is $390. Mr Ted Arnold, analyst at the Merrill Lynch financial services group, says that more and more bullion dealers and gold producers are looking for the price to move to $350 before long.

"There are certainly very few market observers who expect to see prices go above the $383–$385 level in coming months," says Mr Arnold. Gold producers were ready to sell forward in big volumes when the price moved above that level.

Other events this week include a two-day conference starting today in Charlotte, North Carolina, on "iron ore, supply, demand, price and quality for steel and alternative iron unit production".

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Dominion Resources (US)	East Midlands Elect (UK)	Power	$2.1bn	Agreed offer
Great Universal Stores (UK)	Experian (US)	Information services	$1.7bn	GU's biggest in 27 years
Hypo-Bank (Germany)	Foreign & Colonial Management (UK)	Financial services	$100m	Lifting stake to 65%
ABN Amro (N'lands)	Magyar Hitel Bank (Hungary)	Banking	$89.2m	Further investment promised
Ball Corporation (US)	M C Packaging (HK)	Packaging	$73m	Strengthening China position
Biocompatibles (UK)	Divyslo (Canada)	Medical equipment	$58m	Third N Am buy
Misys (UK)	Frustum (US)	Computer services	$61m	Gap-filling move
Morgan Crucible (UK)	EM Corp (US)	Lubricants	$26.8m	Cash purchase

Threat of fresh trade row between Japan and US

The trade disputes of the 1980s between Tokyo and Washington could make a brief return this week if figures show the Japanese current account surplus rising and the US deficit on the same account heading for record levels.

That would deliver a further stimulus to the yen's recent recovery against the dollar. Tokyo signalled almost a fortnight ago that it wanted the yen to rebound.

On Monday Japan announces its October merchandise trade balance, with the surplus expected to rise year-on-year for the first time in 24 months. The fall in the yen since April 1995 is at last starting to curb Japanese imports and stimulate exports. On Wednesday the deficit in the US trade balance for September is likely to show a slight fall. But because of the 18-month rise in the dollar, the 1996 deficit should still break last year's record in absolute terms.

Meanwhile, Germany is expected to release data showing that its economic recovery is continuing. Recent figures caused concern that the upturn was faltering. But Mr Ottmar Issing, the Bundesbank chief economist, said on Friday that purchases of Deutsche Telekom shares could boost the October M3 money supply, out this week.

Also, the Ifo index for October is likely to demonstrate an improvement in business confidence.

For sterling, the focus will be UK retail sales for October, due out on Wednesday. These should show strong growth of 4 per cent year-on-year, putting more pressure on the Chancellor to raise interest rates. However, no interest rate changes are expected in any of the main economies this week.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday, November 15, 1996. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

		£ STG	US $	D-MARK	YEN (X 100)			£ STG	US $	D-MARK	YEN (X 100)			£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	7915.84	4750.00	3149.24	4275.43	Greece	(Drachma)	398.915	238.180	157.918	214.383	Pakistan	(Pak. Rupee)(3)	66.7912	40.0799	26.5738	36.0735
Albania	(Lek)	170.811	102.500	67.9573	92.2562	Greenland	(Danish Krone)	9.6489	5.7899	3.8382	5.2105	Panama	(Balboa)	1.6665	1	0.6630	0.9001
Algeria	(Dinar)	92.2362	55.3480	36.6962	49.8190	Grenada	(E Carib $)	4.4994	2.7000	1.7901	2.4303	Papua New Guinea	(Kina)	2.2309	1.3387	0.8876	1.2050
Andorra	(French Fr)	8.4910	5.0953	3.3783	4.5862	Guadeloupe	(Local Fr)	8.4910	5.0953	3.3783	4.5862	Paraguay	(Guarani)	3482.88	2090.00	1385.67	1881.19
	(Sp Peseta)	211.591	126.965	84.1803	114.280	Guam	(US $)	1.6665	1	0.6630	0.9001	Peru	(New Sol)	4.2770	2.5665	1.7016	2.3101
[illegible]						Guatemala	(Quetzal)	10.0345	6.0215	3.9922	5.4199	Philippines	(Peso)	43.7694	26.2650	17.4142	23.6409

ATHENS STOCK EXCHANGE Nov 11th - Nov 15th 1996 GREECE

				GDP (USD bn) 96e	122.42
ASE INDEX	890.39	P/E (after tax) 96e/95	11.3/11.9	Per Capita Income (USD)	11,771
%Chg (2/1/96)	-1.47	EPS GROWTH (%) 96e	13.5	Inflation Rate (% Y.O.Y, October 96)	8.30
Yearly High	1026.02	P/E 96e/EPS GROWTH (%)96e	0.84	November 12 M T-Bill rate (%)	12.30
Yearly Low	870.86	P/CE 96e/95	9.4/9.9	1-Month Athibor (%)	13.37
WEEKLY VOL. (USD m)	49.13	P/BV 96e/95	2.4/2.7	GRD/US$	237.94
%Chg (Prev. Wk)	-53.00	Div. Yield (%) 96e/95	6.3/5.9		
1 Y Wk Avg. (USD m)	158.56			A.S.E. Market Capitalisation - 15/11/96 (USD bn)	23.87
				IPOs & Rights Issues (in USD m) Jan 1 96-Nov 15 96	592.52

EMERGING MARKETS By Stephen Fidler

Latin shares set for late rally

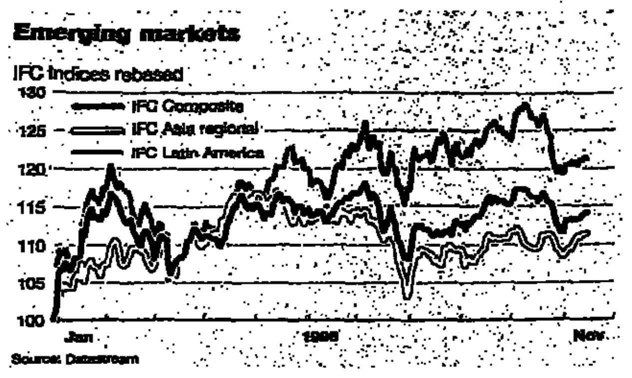
As most of Latin America's stock markets recovered last week from their annual attack of autumn jitters, expectations for share prices over the next few months were turning cautiously positive.

Evidence of a weakening US economy has meant that the market watchers' worst fear – a rise in US interest rates from the Federal Reserve – has been put off until next year.

"If economic conditions in the US make it unlikely that the Fed will be tightening credit in the next six months, those in Japan and continental Europe make it probable that the monetary authorities there will continue to operate expansive policies," said Mr Roger Nightingale of BBV LatInvest. This suggests there will be plenty of international liquidity around to drive emerging markets for some time.

Latin America has performed well on average so far this year – up some 25 per cent in dollar terms. Yet much of that rise took place in the first three weeks of January. For the rest of the year, US investors have been having such a good time on Wall Street – with returns close to the Latin average – they have not seen the need to diversify.

Emerging markets



Source: Datastream

Wall Street analysts have resorted to making a virtue out of US investor indifference to Latin America. Mr Jay Pelosky, Morgan Stanley's chief Latin America strategist, argued: "It's possible that the general lack of interest is actually a good sign, especially against the general backdrop of muted enthusiasm for the US."

If the Dow Jones Industrial Average is in meandering mood, some retail investors seem to be leaning toward diversification to non-US funds, he said.

As usual, the performance of the Latin markets has been far from uniform. Going underweight Brazil would have badly damaged performance. Brazil was sluggish last week but has shone this year, rising by more than 40 per cent in dollar terms. Venezuela's small market has also doubled in dollar terms. (Its weighting in the international indices will double again with the initial public offering expected this week for CanTV, the telephone company).

Mexico has just lagged the US, while Argentina, Colombia and Peru have yielded modestly positive returns. Only Chile, the usual market star, has delivered negative returns – for the second successive year.

Mr Pelosky favours Mexican equities, which performed strongly last week after worries subsided over a weakening peso. He said Mexican corporate cash-flow could grow some 20 per cent in 1997, which, with increased investor interest and lower interest rates, makes the market attractive.

Ms Suzanne Carrington, manager at Fleming Investment Management in London, argues that the 1996 rally can continue, and is overweighting Mexico and Argentina, believing that the Brazilian outperformance cannot continue.

Buying was justified over the past 12 months by expanding price/earnings multiples; over the next year higher corporate earnings will start to support the market, she said. "For two years, Latin America has been off investor radar screens; people now seem ready to look at it again."

Mr Arnab Banerji, chief investment officer of Foreign and Colonial Emerging Markets in London, believes Mexico's fortunes will be closely linked with Wall Street.

However, he believes prospects for still lower interest rates in Brazil and – at last – evidence that banks are beginning cautiously to extend credit in Argentina should mean both markets will enjoy a solid performance going forward.

He also says there is room for a strong rally in Latin America, as US fund managers rebalance their portfolios, as is customary at the end of the year.

The excellent performance of the US market will leave many global funds overweight in the US at the turn of the year. The actuarially driven rebalancing will require them to lower the weight of the US in their portfolios. This will leave fund managers with investment decisions to make some time around the turn of the year.

This, he said, explained the sharp market movement in the first three weeks of 1996, when Latin America rallied by 10 per cent. And it could happen again in the next month or so.

He argues, anyway, that a correction is overdue. "The US market has outperformed the emerging markets by over 60 per cent over the last two years," Mr Banerji said. "Yet the US economy has grown by less than half the rate of the top 20 emerging markets."

ING BARING SECURITIES EMERGING MARKETS INDICES

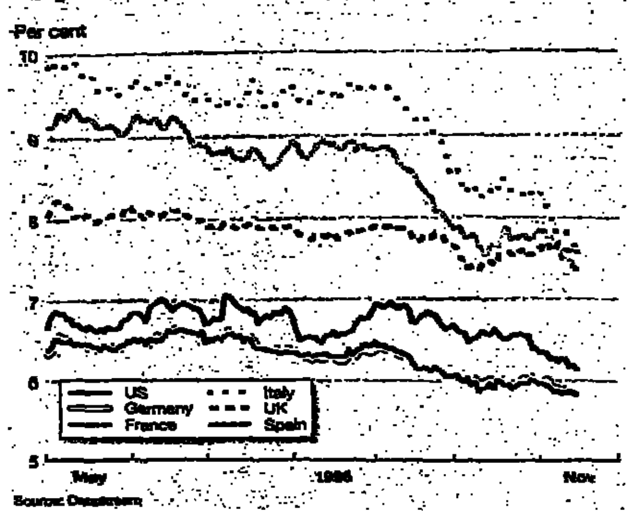
Index	15/11/96	Week on week movement Actual	Week on week movement Percent	Month on month movement Actual	Month on month movement Percent	Year to date movement Actual	Year to date movement Percent
World (447)	159.39	+1.23	+0.77	−1.00	−0.62	+11.83	+8.02
Latin America							
Argentina (22)	100.62	+3.01	+3.08	+0.43	+0.43	+7.84	+8.45
Brazil (24)	245.94	−4.34	−1.73	+−5.14	−2.05	+59.85	+32.16
Chile (16)	179.15	−1.99	−1.10	−13.26	−6.89	−16.51	−8.44
Colombia (13)	175.90	−1.78	−1.00	+1.84	+1.06	+11.65	+7.09
Mexico (27)	82.67	+2.48	+3.07	+0.71	+0.86	+9.07	+12.33
Peru (12)	1091.48	+9.68	+0.89	−62.97	−5.45	+22.52	+2.11
Venezuela (6)	58.78	+1.57	+2.75	−3.64	−5.83	+31.27	+113.68
Latin America (119)	141.49	+0.55	+0.39	−2.64	−1.83	+18.35	+14.90
Europe							
Czech Rep.(14)	94.56	−2.08	−2.16	−6.81	−6.72	+18.25	+23.82
Greece (20)	110.72	−4.04	−3.52	−6.06	−5.19	+12.75	+13.01
Poland (25)	331.55	+10.75	−3.14	−37.56	−10.18	+130.40	+64.82
Portugal (18)	143.42	+2.45	+1.74	+6.73	+4.92	+26.96	+23.15
South Africa (30)	134.33	+2.99	+2.28	−8.95	−6.25	−19.04	−12.42
Turkey (27)	114.05	−3.19	−2.72	−0.61	−0.53	+31.25	+37.74
Europe (134)	118.39	+0.90	+0.07	−5.84	−4.70	−3.14	−2.58
Asia							
China (26)	43.07	+0.14	+0.33	−3.54	−7.60	+2.74	+6.80
Indonesia (30)	155.19	+5.65	+3.78	+15.87	+11.39	+16.54	+11.93
Korea (23)	95.55	+1.34	+1.42	−6.28	−6.16	−41.36	−30.21
Malaysia (24)	266.90	+0.32	+0.12	+2.25	+0.85	+39.54	+17.39
Pakistan (13)	70.84	+0.95	+1.36	+1.07	+1.53	−2.75	−3.73
Philippines (18)	303.42	−0.92	−0.30	+9.19	+3.13	+39.54	+17.08
Taiwan (31)	177.09	−0.31	−0.18	−2.64	−1.47	+44.25	+35.37
Thailand (28)	195.15	+6.00	+4.28	+24.91	+14.63	−56.74	−22.53
Asia (193)	217.78	+2.43	+1.13	+5.26	+2.47	+14.73	+7.26

All indices in $ terms, January 7th 1992=100. Source: ING Baring Securities.

INTERNATIONAL BONDS By Samer Iskandar and Richard Adams

Long wait whets appetite for debut Russian eurobond issue

10-year benchmark bond yields



Source: Datastream

INTEREST RATES AT A GLANCE

	USA	Japan	Germany	France	Italy	UK
Discount	5.00	0.50	2.50	3.20¹	7.50	6.00²
Overnight	5.75	0.44	2.98	3.25	7.37	5.75
Three month	5.14	0.34	3.09	3.33	6.65	6.40
One year	5.37	0.59	3.18	3.53	6.82	6.87
Five year	5.91	1.54	4.59	4.84	7.58	7.25
Ten year	6.13	2.63	5.82	5.83	8.09	7.53

(1) France-Repo rate. (2) UK-Base rate. Source: Reuters.

Mr Alexander Livshits' decision to pursue a career in politics was a wise choice – he would have been unlikely to succeed as a eurobond salesman.

In a series of presentations organised by lead managers J.P. Morgan and SBC Warburg to promote Russia's forthcoming eurobond – the country's first international financing since the Bolshevik revolution of 1917 – the bonds played a minor role, rather like the ghost of Hamlet's father, elusively drifting in and out of focus.

Since the first hints of a possible deal, international investors' patience has been tested for well over a year. But despite Russia's coming to terms with its London Club and Paris Club creditors, as well as with the World Bank and the International Monetary Fund, little had happened until now.

Questioned last Friday about the delay, one official from the Russian delegation pointed out investment bankers' well-known propensity to take extended holidays in August. He also said, however, that the recent presidential elections and Russia's negotiations with its creditors bore part of the responsibility.

The only information directly related to the bond issue that Mr Livshits stated very clearly was his aim to achieve the tightest possible financing terms.

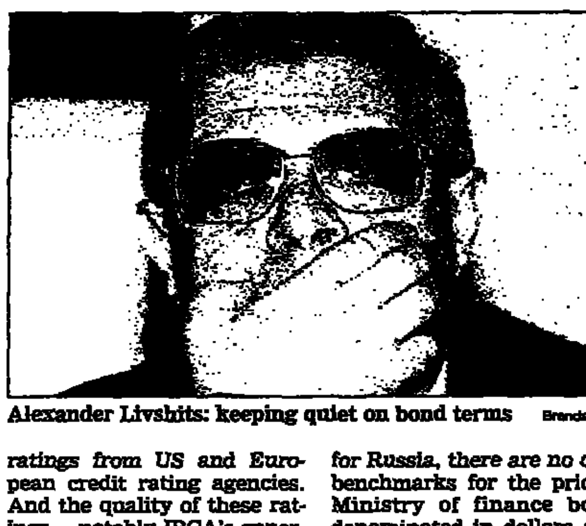
"We will not borrow on very high interest levels," he said. "This is not our purpose at all." He also dismissed a Russian newspaper report that the bond's coupon would be 11 per cent as "ridiculous".

And, judging by the reaction to the road show, investors could well fulfil Mr Livshits' desire. Paradoxically, the long wait seems to have whetted their appetite and increased the relative price they are willing to pay to acquire the bonds.

The issue will almost certainly come at the higher end of the indicated range of $300m to $500m. Pricing talk, which revolved around an indicated spread over US Treasury bond yields of around 5 percentage points at the beginning of the summer – offering investors a comfortable double-digit yield – had gradually declined to between 3¼ and 3½ percentage points over Treasuries last week.

This would give a gross yield of roughly 8¼ to 8½ per cent on a five-year maturity at current market prices.

True, part of this tightening is attributable to Russia's obtaining three credit ratings from US and European credit rating agencies. And the quality of these ratings – notably IBCA's generous BB+ – has surpassed all expectations. But a significant proportion of the 200 or so basis points of yield that investors have shown they are willing to give up seems to derive from the excitement that the launch is imminent – some participants predicted an issue in the days following the end of the road show, on November 20 in New York.



Alexander Livshits: keeping quiet on bond terms Brendan Corr

Because the issue is a first for Russia, there are no clear benchmarks for the pricing. Ministry of finance bonds denominated in dollars offer a spread over Treasuries of 580 basis points (on three-year maturities) to 620 points (on five-year paper).

However, analysts point out that this spread incorporates a risk premium due to legal uncertainties surrounding these bonds.

"After all, the eurobond will be subject to a foreign jurisdiction's law," namely that of the UK, said one senior syndication official in London.

Ms Lina Takla, an Eastern European economist at West Merchant Bank, left Friday's presentation with the impression that Mr Livshits "did not present a good argument for it [a low yield]."

His claim that "We want from the outset to look respectable and the cost of borrowing is a very important factor for us", also left other investors unconvinced.

However, despite the strong likelihood that the issue's price will not truly reflect the risk that investors will be taking, Russia's first eurobond is destined to be one of the most talked-about market events of the year.

As Ms Takla puts it: "There is a strong novelty aspect that should help. Investors will want to buy it."

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Maturity	Coupon %	Price	Yield %	Launch spread bp	Book-runner
US DOLLARS							
Bank of Melbourne(a)‡	50	Nov 1997	(a1)	100.00R	-	-	Nomura International
Woolwich Bldg Society(g)‡	300	Dec 2001	(g1)	99.923R	-	-	ABN Amro/Lehman
Cemig§	150	Nov 2004	9.125#	99.562R	9.020	+300(6¼%-01)	ING Barings
Vencemos Financial Invs	75	Nov 1998	8.625#	100.00R	8.625	+288(5⅞%-98)	Chase Manhattan Intl
Bank of Taiwan‡	200	Dec 2001	(k)	99.793R	-	-	Goldman Sachs Intl
GMAC Intl Finance(l)	200	Jan 2001	6.375	100.10R	6.342	+32(l)	Paribas Capital Markets
LB Schleswig-Holstein(s)	200	Jan 2000	6.00	99.98R	6.023	+10(l)	Paribas Capital Markets
FUSA CCMT, 96-7, Cls A(r)‡	483.1	Feb 2000	(r1)	100.00R	-	-	SBC Warburg
Federal Natl Mtg Assoc(l,l)	500	Nov 2001	6.35#	99.966R	6.358	+38(WI 5yr)	Goldman/M Stanley
ML RHELAC(u)★‡	276.159	Jun 2002	(u1)	100.00R	-	-	Merrill Lynch Intl
Ford Motor Credit Corp	200	Dec 1999	6.125	99.876R	6.172	+23(5⅞%Nov99)	ABN Amro Hoare Govett
Compal Electronics(v)§	80	Nov 2003	1.00	100.00	-	-	Jardine Fleming
CIT Investments	50	Nov 1999	8.00#	100.93R	7.647	+164(5⅞%-99)	Citibank International
Huntington National Bank‡	250	Dec 2001	(y)	99.915R	-	-	Morgan Stanley Intl
BFCS(z)‡	125	undated	(z1)	99.41R	-	-	Morgan Stanley Intl
D-MARKS							
Eurofima	550	Dec 2006	6.00	99.39R	6.083	+21(6¼Apr06)	DG Bank/Goldman
World Bank	500	Dec 2001	4.625	99.415R	4.759	+18(5%May01)	Deutsche/UBS/WestLB
Oest Kommunalkredit	100	Dec 2000	4.625	102.025	4.068	-	DGZ
LB Rheinland-Pfalz‡	100	Dec 2026	(A)	99.80R	-	-	Morgan Stanley Bank
Brazil Repackaged Bonds(B)	100	Apr 2012	(B1,s)	99.50R	13.64	-	Morgan Stanley Bank
YEN							
Intl Finance Corp(b)★	10bn	Dec 1999	5.35#	100.00	-	-	DKB/Kankaku(Europe)
SWISS FRANCS							
Dresdner Finance(c)	100	Jan 2001	2.25	98.35	2.639	-	Dresdner/SBC Warburg
STERLING							
Portman Building Society‡	150	Dec 1999	(d)	99.909	-	-	NatWest Markets
SE Banken(e)	100	undated	9.04	100.00R	9.048	+128(7½%-06)	Goldman Sachs Intl
Baden-Württemberg L-Fin(f)	200	Dec 2001	7.375	99.605R	7.488	+10(7%-01)	BZW/HSBC Markets
Bayerische Vereinsbank(l)	100	Dec 2002	7.50	99.52R	7.601	+10(8¾%-02)	Hambros Bank
Merrill Lynch & Co(m)	250	May 1998	7.125	99.856R	7.274	+32(7¼%-98)	Merrill Lynch Intl
European Inv Bank(m)	100	Dec 2006	7.625	100.552	-	-	HSBC Markets
Scottish Life Finance(C)	125	undated	9.00	99.294R	9.111	+135(7½%-06)	Dresdner KB
GUILDERS							
Ahold USA	500	Nov 2006	6.25	99.93R	6.260	+35(l)	ABN Amro Hoare Govett
Achmea Hypotheekbank(l)	250	Dec 2003	5.75	99.76R	5.790	+26(l)	ABN Amro Hoare Govett
Oce van der Grinten	250	Nov 2006	6.375	99.675R	6.420	+55(l)	ABN Amro Hoare Govett
ABN Amro Bank	600	Nov 2006	6.25	99.39R	6.334	+45(l)	ABN Amro Hoare Govett
LUXEMBOURG FRANCS							
Commerzbank	2bn	Jan 2004	5.50	102.625	5.046	-	Kredietbank Intl Group

Borrower	Amount m.	Maturity	Coupon %	Price	Yield %	Launch spread bp	Book-runner
FRENCH FRANCS							
Telstra Corp	1.5bn	Dec 2006	6.00	99.09R	6.128	+26(l)	BNP/JP Morgan
Eurofima‡	1bn	Dec 2006	(n)	100.00R	-	-	Société Générale
Lehman Brothers Hldgs(o)	700	Jul 1999	5.375	102.05R	4.495	+49(l)	Lehman/SocGen
Crediop Overseas	2bn	Dec 2006	6.125	99.80R	6.152	+30(l)	Société Générale
Baden-Württemberg L-Fin(q)‡	1bn	Jan 2007	(q)	100.00R	-	-	BNP
ITALIAN LIRE							
BGB Finance Ireland(l)	100bn	Nov 1998	zero	89.285	5.830	-	Cariplo/BNL Luxembourg
Oest Postsparkasse	300bn	Dec 2006	7.50	101.29	7.314	-	BNL/Cariplo
World Bank(p)	200bn	Dec 2006	zero	49.525	7.280	-	BCI/JP Morgan
Crediop Overseas Bank(q)‡	200bn	Dec 2001	(q1)	100.20	-	-	San Paolo, Turin
World Bank(w)	250bn	Dec 2006	zero	49.755	7.230	-	BCI/JP Morgan
Oest Postsparkasse(x)	100bn	Dec 2006	7.50	101.60	7.269	-	BNL/Cariplo
AUSTRALIAN DOLLARS							
LB Schleswig-Holstein	100	Dec 1999	8.50	101.22	6.043	-	Toronto Dominion Bank
ECU							
Abbey Natl Trsy Services	100	Dec 2000	5.00	99.69R	5.090	+20(8½Apr00)	Paribas Capital Markets
CANADIAN DOLLARS							
Bayerische Landesbank	100	Dec 2002	5.50	99.82R	5.578	+24(7¾Sep01)	Toronto Dominion Bank
DANISH KRONER							
Ford Credit Europe	400	Dec 2002	6.25	101.60	5.925	-	Bank Brussels Lambert
SWEDISH KRONOR							
Saint Gobain Securities(l,s)	1.2bn	Nov 2003	7.35	98.77R	7.587	+50(l)	ABN Amro Hoare Govett

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. §Convertible. ‡Floating-rate note. ◊With equity warrants. ★Unlisted. #Semi-annual coupon and yield. R: fixed re-offer price. a) $150m launched 1/11/96 was increased to $200m. a1) 3-mth Libor flat. b) Redeemed in Aus$. c) Fungible with SFr200m. Plus 165 days accrued. d) 3-mth Libor +8bp. e) Callable from 11/12/06 at par. If not called coupon steps up to 6-mth Libor +250bp. f) Securitised personal mortgages. g) Callable from Dec 99 at par. g1) 3-mth Libor +8¼bp. h) Callable and puttable on 18/11/01 at 98.704%. i) Over interpolated yield. j) L250bn launched 31/10/96 was increased to L350bn. k) 6-mth Libor +⅛%. l) Long 1st coupon. m) Fungible with £600m. Plus 4 days accrued. n) Tec-10 -142bp; min 4½%, max 7½%. o) Fungible with FFr500m. Plus 161 days accrued. p) L800bn launched 5/11/96 was increased to L1000bn. Callable on 6/12/01 at 68.05%. q) L300bn launched 7/11/96 was increased to L500bn. q1) 6-mth Libor flat. r) First USA Credit Card Master Trust. r1) 1-mth Libor +8½bp. r2) Class B: $43.65m, 1-mth Libor +28bp, parR. s) Short 1st coupon. t) Callable from 23/11/99 at par. u) Revolving Home Equity Loan Asset-Backed Certs. Av life: 3.5 yrs. Legal maturity: Jan07. u1) 1-mth Libor +17bp. v) Conversion price: NT$62.50. FX: 27.50NT$/US$. Puttable on 21/11/01 at 135.39%. Callable from 21/11/99, subject to 140% hurdle, at accreted value. Greenshoe: $80m. w) L1000bn was increased to L1250bn. Callable on 6/12/01 at 68.05%. x) L300bn launched Wednesday was increased to L400bn. y) 3-mth Libor +10bp. z) Callable from Dec01 at par. z1) 3-mth Libor +75bp to Dec01, then +150bp to Dec06, then +225bp. A) 10% to 16/12/01, then 17½% - 2 x 6-mth Libor. B) Underlying: Brazil Brady bond FRNs due 15/4/2012. Callable on coupon dates from 15/10/96 at par. Amortises in 17 equal instalments from 15/4/04. Av life: 11½ yrs. B1) 13% to 15/10/96, then 10⅝%. C) Callable on 28/11/06 and every 5 yrs at par. If not called coupon resets at the higher of the current coupon or 5yr gilts +235bp. D) 4⅛% to 11/1/99, then Tec-10 -117bp. Note: Yields are calculated on ISMA basis.

CURRENCIES AND MONEY

POUND SPOT FORWARD AGAINST THE POUND

Nov 15		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	17.6882	+0.0208	820 - 944	17.7222	17.6364	17.6447	3.0	17.5882	2.8	-	-	104.8
Belgium	(BFr)	51.7933	+0.0574	522 - 344	51.9280	51.6500	51.6683	2.8	51.4033	3.0	50.2083	3.1	105.8
Denmark	(DKr)	9.6469	+0.0048	438 - 500	9.6846	9.6237	9.627	2.5	9.5854	2.5	9.4075	2.5	107.1
Finland	(FM)	7.5607	+0.0067	562 - 652	7.5730	7.5440	-	-	-	-	-	-	84.5
France	(FFr)	8.4910	+0.0066	885 - 935	8.5137	8.4706	8.472	2.7	8.4331	2.7	8.2548	2.8	108.7
Germany	(DM)	2.5134	+0.0028	126 - 142	2.5188	2.5051	2.5072	2.9	2.4945	3.0	2.4381	3.0	107.9
Greece	(Dr)	396.915	+0.735	722 - 108	397.455	395.744	-	-	-	-	-	-	67.3
Ireland	(I£)	0.9994	-0.0009	986 - 001	1.0012	0.9976	0.9991	0.4	0.9981	0.5	0.9915	0.8	101.5
Italy	(L)	2528.13	+3.75	679 - 947	2534.44	2518.16	2531.93	-1.8	2539.43	-1.8	2543.93	-0.6	78.7
Luxembourg	(LFr)	51.7933	+0.0574	522 - 344	51.9280	51.6500	51.6683	2.8	51.4033	3.0	50.2083	3.1	105.8
Netherlands	(Fl)	2.8161	+0.0026	172 - 189	2.8322	2.8102	2.8109	3.1	2.7959	3.2	2.7312	3.1	105.9
Norway	(NKr)	10.5492	+0.0214	459 - 524	10.5808	10.5059	10.5367	1.4	10.5157	1.2	10.4117	1.3	88.8
Portugal	(Es)	254.050	+0.323	929 - 172	254.629	253.382	254.245	-0.9	254.615	-0.9	-	-	95.7
Spain	(Pta)	211.581	+0.296	524 - 638	212.133	210.907	211.746	-0.9	211.976	-0.7	211.976	-0.2	80.0
Sweden	(SKr)	11.0445	+0.0148	366 - 524	11.0588	11.0007	11.0433	0.1	11.0406	0.1	11.0282	0.1	88.9
Switzerland	(SFr)	2.1306	+0.011	294 - 317	2.1317	2.1179	2.123	4.3	2.1079	4.3	2.0412	4.2	107.1
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	92.0
Ecu	-	1.3090	+0.0009	084 - 095	1.3118	1.3053	1.3071	1.8	1.3026	1.9	1.2812	2.1	-
SDR†	-	1.143409	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6657	+0.0026	654 - 659	1.6694	1.6630	-	-	-	-	-	-	-
Brazil	(R$)	1.7160	+0.0021	154 - 165	1.7190	1.7134	-	-	-	-	-	-	-
Canada	(C$)	2.2307	+0.0113	299 - 314	2.2332	2.2244	2.2258	2.8	2.2147	2.9	2.1557	3.4	86.0
Mexico	(New Peso)	13.1725	-0.0133	646 - 803	13.1990	13.1490	-	-	-	-	-	-	-
USA	($)	1.6665	+0.0031	662 - 667	1.6697	1.6637	1.6654	0.8	1.6629	0.9	1.6461	1.2	96.2
Pacific/Middle East/Africa													
Australia	(A$)	2.1101	+0.0086	091 - 111	2.1122	2.1044	2.1114	-0.7	2.1121	-0.4	2.1117	-0.1	92.8
Hong Kong	(HK$)	12.8851	+0.0237	827 - 874	12.9098	12.8642	12.8778	0.7	12.8639	0.7	12.7993	0.7	-
India	(Rs)	59.5757	+0.0259	334 - 179	59.9179	59.2334	-	-	-	-	-	-	-
Israel	(Shk)	5.3922	+0.0023	887 - 958	5.4050	5.3912	-	-	-	-	-	-	-
Japan	(Y)	185.143	-0.102	032 - 254	185.870	184.390	184.253	5.8	182.393	5.9	174.363	5.8	130.5
Malaysia	(M$)	4.2051	+0.0028	038 - 063	4.2172	4.1967	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.3596	+0.0245	581 - 611	2.3620	2.3412	2.3663	-3.4	2.3758	-2.7	2.3965	-1.6	110.7
Philippines	(Peso)	43.7694	+0.0635	878 - 509	43.8508	43.6878	-	-	-	-	-	-	-
Saudi Arabia	(SR)	6.2499	+0.0114	487 - 511	6.2597	6.2399	-	-	-	-	-	-	-
Singapore	(S$)	2.3311	+0.0007	302 - 320	2.3376	2.3275	-	-	-	-	-	-	-
South Africa	(R)	7.7882	-0.0123	828 - 935	7.8203	7.7745	-	-	-	-	-	-	-
South Korea	(Won)	1379.82	+0.94	945 - 019	1382.18	1377.96	-	-	-	-	-	-	-
Taiwan	(T$)	45.6274	+0.0639	872 - 676	45.9051	45.7467	-	-	-	-	-	-	-
Thailand	(Bt)	42.3612	+0.0343	381 - 842	42.4860	42.3030	-	-	-	-	-	-	-

† Rates for Nov 14. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Nov 15		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan Index
Europe													
Austria	(Sch)	10.6143	-0.007	122 - 164	10.6240	10.5910	10.5996	1.7	10.5543	2.3	10.3593	2.4	104.7
Belgium	(BFr)	31.0800	-0.0225	600 - 000	31.1470	31.0100	31.02	2.3	30.8925	2.4	30.3525	2.3	105.8
Denmark	(DKr)	5.7889	-0.0079	879 - 899	5.7932	5.7810	5.78	1.8	5.7616	1.9	5.6799	1.9	106.8
Finland	(FM)	4.5370	-0.0043	350 - 390	4.5414	4.5196	4.5282	2.3	4.5095	2.4	4.427	2.4	84.0
France	(FFr)	5.0953	-0.0053	945 - 960	5.1078	5.0867	5.0869	2.0	5.069	2.1	4.9933	2.0	108.3
Germany	(DM)	1.5083	-0.001	080 - 085	1.5096	1.5046	1.5054	2.3	1.4994	2.3	1.4747	2.2	107.4
Greece	(Dr)	238.180	+0.005	100 - 260	238.410	237.620	239.735	-7.8	242.305	-6.9	253.33	-6.4	67.0
Ireland	(I£)	1.6675	+0.0046	665 - 685	1.6705	1.6640	1.667	0.3	1.6667	0.2	1.6638	0.2	-
Italy	(L)	1517.08	-0.52	650 - 765	1520.10	1511.50	1520.25	-2.5	1526.68	-2.5	1539.73	-1.5	76.3
Luxembourg	(LFr)	31.0800	-0.0225	600 - 000	31.1470	31.0100	31.02	2.3	30.8925	2.4	30.3525	2.3	105.8
Netherlands	(Fl)	1.6911	-0.0015	908 - 913	1.6988	1.6877	1.6873	2.7	1.6793	2.8	1.6438	2.8	105.6
Norway	(NKr)	6.3303	+0.0012	293 - 313	6.3381	6.2940	6.3266	0.7	6.3209	0.6	6.2953	0.6	99.3
Portugal	(Es)	152.450	-0.085	400 - 500	152.490	152.190	152.655	-1.6	152.95	-1.3	153.725	-0.8	95.9
Spain	(Pta)	126.965	-0.055	950 - 980	127.300	126.700	127.145	-1.7	127.405	-1.4	128.07	-0.9	79.8
Sweden	(SKr)	6.6278	-0.0032	238 - 313	6.6324	6.6076	6.6248	0.5	6.615	0.8	6.5676	0.9	88.7
Switzerland	(SFr)	1.2785	+0.0042	780 - 790	1.2790	1.2719	1.2747	3.6	1.2689	3.6	1.234	3.5	107.1
UK	(£)	1.6665	+0.0031	662 - 667	1.6697	1.6637	1.6654	0.8	1.6629	0.9	1.6461	1.2	91.7
Ecu	-	1.2732	+0.0016	728 - 735	1.2752	1.2713	1.2746	-1.3	1.2777	-1.4	1.2943	-1.7	-
SDR†	-	0.686733	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9995	-0.0003	995 - 995	0.9995	0.9995	-	-	-	-	-	-	-
Brazil	(R$)	1.0297	-0.0007	295 - 299	1.0295	1.0299	-	-	-	-	-	-	-
Canada	(C$)	1.3386	+0.0043	383 - 388	1.3405	1.3386	1.3362	2.1	1.3312	2.2	1.3097	2.6	85.5
Mexico	(New Peso)	7.9045	-0.0225	010 - 080	7.9070	7.9020	8.0225	-17.9	8.289	-19.5	9.1495	-15.8	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	97.0
Pacific/Middle East/Africa													
Australia	(A$)	1.2662	+0.0029	658 - 666	1.2649	1.2650	1.2677	-1.4	1.2696	-1.1	1.2751	-0.7	94.6
Hong Kong	(HK$)	7.7321	+0.0001	318 - 323	7.7320	7.7322	7.732	0.0	7.7325	0.0	7.7438	-0.1	-
India	(Rs)	35.7500	-0.05	500 - 500	35.8300	35.7650	35.965	-7.2	36.425	-7.6	-	-	-
Israel	(Shk)	3.2357	-0.0046	341 - 373	3.2392	3.2325	-	-	-	-	-	-	-
Japan	(Y)	111.100	-0.265	050 - 150	111.620	110.850	110.625	5.1	109.62	5.3	105.42	5.1	130.8
Malaysia	(M$)	2.5234	-0.003	230 - 237	2.5260	2.5232	2.5263	-1.4	2.5316	-1.3	2.5529	-1.2	-
New Zealand	(NZ$)	1.4159	+0.0121	152 - 166	1.4072	1.4146	1.4214	-4.7	1.4257	-2.8	1.4572	-2.9	-
Philippines	(Peso)	26.2650	-0.01	200 - 100	26.3100	26.2200	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7505	-	503 - 506	3.7503	3.7506	3.7508	-0.1	3.7512	-0.1	3.7531	-0.1	-
Singapore	(S$)	1.3989	-0.0021	985 - 992	1.4005	1.3988	1.3967	1.8	1.3921	1.9	1.3709	2.0	-
South Africa	(R)	4.6735	-0.018	710 - 760	4.6875	4.6660	4.7142	-10.5	4.7892	-9.9	5.104	-9.2	-
South Korea	(Won)	828.000	-0.95	900 - 100	828.600	827.600	-	-	-	-	-	-	-
Taiwan	(T$)	27.5000	-	800 - 200	27.4970	27.4890	27.5001	0.0	27.5003	0.0	-	-	-
Thailand	(Bt)	25.4200	-0.026	100 - 300	25.4510	25.4270	25.51	-4.2	25.6775	-4.1	26.316	-3.5	-

† SDR rate per $ for Nov 14. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Nov 14: Base average 1990=100.

WORLD INTEREST RATES

MONEY RATES

November 15	Over night	One month	Three mths	Six mths	One year	Lomb. Inter.	Dis. rate	Repo rate
Belgium	3	[illegible]	[illegible]	[illegible]	[illegible]	6.00	2.50	-
week ago	3	[illegible]	[illegible]	[illegible]	[illegible]	6.00	2.50	-
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.20	-	4.75
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.20	-	4.75
Germany	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.50	2.50	3.00
week ago	3	[illegible]	[illegible]	[illegible]	[illegible]	4.50	2.50	3.00
Ireland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	6.25
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	6.25
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.00	7.50	8.05
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.00	7.50	8.05
Netherlands	[illegible]	[illegible]	[illegible]	3	[illegible]	-	3.00	3.30
week ago	[illegible]	[illegible]	[illegible]	3	[illegible]	-	3.00	3.30
Switzerland	[illegible]	[illegible]	[illegible]	2	[illegible]	-	1.00	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	1.00	-
US	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	5.00	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	5.00	-
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	0.50	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	0.50	-
$ LIBOR FT London								
Interbank Fixing	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
US Dollar CDs	-	5.13	5.10	5.14	5.25	-	-	-
week ago	-	5.13	5.07	5.12	5.24	-	-	-
ECU Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
SDR Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo Mitsubishi, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Nov 15	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D-Mark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portuguese Esc.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spanish Peseta	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Short term rates are call for the US Dollar and Yen, others: two days' notice.

THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	94.51	94.50	+0.01	94.52	94.50	57,428	430,667
Mar	94.50	94.49	+0.03	94.52	94.48	80,806	382,806
Jun	94.43	94.42	+0.04	94.45	94.40	95,066	294,735

US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	95.00	95.00	-	95.01	95.00	39	2,870
Mar	94.99	94.98	-	95.02	94.98	112	2,786
Jun	-	94.90	-	94.92	94.90	16	1,539

All Open interest figs. are for previous day

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Nov 15		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.63	16.40	4.852	1.929	4881	5.441	20.37	490.8	408.6	21.32	4.115	1.931	4.308	3.219	357.4	2.528
Denmark	(DKr)	53.69	10	8.802	2.605	1.036	2621	2.921	10.94	263.4	219.3	11.44	2.209	1.037	2.313	1.728	191.9	1.357
France	(FFr)	60.99	11.36	10	2.960	1.177	2977	3.319	12.42	299.3	249.2	13.00	2.510	1.178	2.627	1.963	218.0	1.542
Germany	(DM)	20.61	3.839	3.379	1	0.398	1006	1.121	4.198	101.1	84.20	4.393	0.848	0.398	0.888	0.663	73.66	0.521
Ireland	(I£)	51.84	9.657	8.499	2.516	1	2531	2.821	10.56	254.4	211.8	11.05	2.133	1.001	2.233	1.669	185.3	1.310
Italy	(L)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Netherlands	(Fl)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway	(NKr)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portugal	(Es)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spain	(Pta)	24.48	4.569	4.013	1.188	0.472	1195	1.332	4.986	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	(SKr)	46.91	8.738	7.691	2.276	0.905	2290	2.553	9.556	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switzerland	(SFr)	24.30	4.527	3.985	1.179	0.469	1186	1.322	4.951	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
UK	(£)	51.79	9.647	8.491	2.513	0.999	2528	2.818	10.55	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canada	(C$)	23.21	4.324	3.806	1.126	0.448	1133	1.263	4.729	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US	($)	31.07	5.787	5.094	1.507	0.599	1516	1.690	6.329	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan	(Y)	27.98	5.212	4.587	1.358	0.540	1368	1.522	5.700	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ecu		39.56	7.370	6.487	1.920	0.763	1931	2.153	8.060	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	0.6640	0.6639	-0.0015	0.6659	0.6630	17,791	61,192
Mar	0.6674	0.6677	-0.0016	0.6695	0.6669	495	5,537
Jun	0.6720	0.6716	-0.0016	0.6725	0.6711	199	2,571

SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	0.7868	0.7840	-0.0069	0.7896	0.7829	15,392	48,474
Mar	0.7925	0.7906	-0.0072	0.7935	0.7897	294	3,692
Jun	-	0.7971	-0.0075	-	0.7970	1	664

JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	0.8995	0.9038	+0.0047	0.9078	0.8996	15,179	65,332
Mar	0.9165	0.9152	+0.0047	0.9192	0.9130	265	3,838
Jun	0.9265	0.9266	+0.0047	0.9285	0.9252	5	775

STERLING FUTURES (IMM) £62,500 per £

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	1.6634	1.6634	+0.0044	1.6684	1.6614	5,364	60,557
Mar	1.6600	1.6594	+0.0042	1.6630	1.6586	129	1,204
Jun	-	1.6544	+0.0040	1.6570	-	45	204

PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Nov	CALLS Dec	CALLS Jan	PUTS Nov	PUTS Dec	PUTS Jan
1.620	-	4.56	4.88	0.08	0.25	0.66
1.630	-	3.74	-	0.08	0.43	0.92
1.640	2.37	2.98	3.45	0.09	0.62	1.23
1.650	1.42	2.36	2.86	0.14	0.95	1.61
1.660	0.72	1.78	2.38	0.32	1.41	2.16

Previous day's vol., Calls 8,047 Puts 10,021. Prev. day's open int., Calls 170,862 Puts 188,958

Pound in New York

Nov 15	—Close—	— Prev. close —
£ spot	1.6635	1.6645
1 mth	1.6625	1.6635
3 mth	1.6553	1.6609
1 yr	1.6440	1.6449

FT GUIDE to WORLD CURRENCIES
The FT Guide to World Currencies table can be found on the Markets page in today's edition.

UK INTEREST RATES

LONDON MONEY RATES

Nov 15	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	6¼ - 4	6 - 5¾	6⅛ - 6	[illegible]	6⅝ - 6½	7 - 6⅞
Sterling CDs	-	-	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills	-	-	[illegible]	[illegible]	-	-
Bank Bills	-	-	[illegible]	[illegible]	[illegible]	-
Local authority deps.	6⅝ - 6	6 - 5¾	[illegible]	[illegible]	[illegible]	[illegible]
Discount Market deps	6⅛ - 5½	[illegible]	-	-	-	-

UK clearing bank base lending rate 6 per cent from October 30, 1996

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4¾

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1¼pc.
Ave. tender rate of discount on Nov 15, 6.0429pc. ECGD fixed rate Stlg. Export Finance. Make up day Oct 31, 1996. Agreed rate for period Nov 26, 1996 to Dec 24, 1996, Scheme III 7.25pc. Reference rate for period Oct 1, 1996 to Oct 31, 1996, Schemes IV & V 6.001pc. Finance House Base Rate 6pc from Nov 1, 1996

BANK OF ENGLAND TREASURY BILL TENDER

	Nov 15	Nov 8		Nov 15	Nov 8
Bills on offer	£200m	£200m	Top accepted rate	6.0967%	5.9363%
Total of applications	£906m	£903m	Ave. rate of discount	6.0429%	5.9068%
Total allocated	£200m	£200m	Average yield	6.1353%	5.9951%
Min. accepted bid	£98.480	£98.520	Offer at next tender	£200m	£200m
Allotment at min. level	34%	6%	Min. accept. bid 93 days	-	-

BASE LENDING RATES

	%		%		%
Adam & Company	6.00	Cyprus Popular Bank	6.00	NatWestminster	6.00
Allied Irish Bank (GB)	6.00	Duncan Lawrie	6.00	●Rea Brothers	6.00
Allied Trust Bank	6.00	Exeter Bank Limited	7.00	Royal Bk of Scotland	6.00
●Henry Ansbacher	6.00	Financial & Gen Bank	7.00	●Singer & Friedlander	6.00
Bank of Baroda	6.00	●Robert Fleming & Co	6.00	●Smith & Williamson Secs	7.00
Banco Bilbao Vizcaya	6.00	Girobank	5.75	Scottish Widows Bank	6.00
Bank of Cyprus	6.00	●Guinness Mahon	6.00	TSB	6.00
Bank of Ireland	5.75	Habib Bank AG Zurich	6.00	United Bank of Kuwait	6.00
Bank of India	6.00	●Hambros Bank	6.00	Unity Trust Bank Plc	5.75
Bank of Scotland	5.75	Heritable & Gen Inv Bk	6.00	Western Trust	6.00
Barclays Bank	6.00	●Hill Samuel	6.00	Whiteaway Laidlaw	6.00
Brit Bk of Mid East	6.00	C. Hoare & Co	6.00	Yorkshire Bank	6.00
●Brown Shipley & Co Ltd	6.00	Hongkong & Shanghai	6.00		
Citibank NA	6.00	Julian Hodge Bank	6.00	● Members of London Investment Banking Association	
Clydesdale Bank	6.00	●Leopold Joseph & Sons	6.00		
The Co-operative Bank	6.00	Lloyds Bank	6.00		
Coutts & Co	6.00	Midland Bank	5.75	* In administration	
Credit Lyonnais	6.00	*Mount Credit Corp	6.25		

BANK RETURN

BANKING DEPARTMENT	Wednesday November 13, 1996	Increase or decrease for week
Liabilities	£	£
Capital	14,553,000	
Public deposits	1,053,913,043	-240,118,286
Bankers deposits	2,043,494,555	-57,435,175
Reserve and other accounts	3,266,248,044	-3,966,787
	6,378,208,642	-301,520,248
Assets		
Government securities	1,417,755,655	-62,475,000
Advance and other accounts	1,234,513,124	-1,290,767,505
Premise, equipment and other secs	3,715,006,618	+1,045,435,875
Notes	10,822,072	+6,298,945
Coin	111,173	-12,563
	6,378,208,642	-301,520,248
ISSUE DEPARTMENT		
Liabilities		
Notes in circulation	20,779,177,928	+3,701,055
Notes in Banking Department	10,822,072	+6,298,945
	20,790,000,000	+10,000,000
Assets		
Other Government securities	10,655,094,464	+2,846,616,935
Other Securities	10,134,905,536	-2,836,616,935
	20,790,000,000	+10,000,000

FT GOLD MINES INDEX

	Nov 15	% chg since 29/12/95	Mkt Cap $bn	% of Gold Mines	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (31)	1980.03	+2.9	52.95	100.00	1.63	-	2620.73	1831.02
Regional Indices								
Africa (13)	2475.94	-1.0	13.36	25.22	3.12	35.99	3553.88	2332.70
Australasia (8)	2166.67	-8.5	5.90	11.14	2.56	21.84	2927.34	2005.75
North America (12)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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LONDON RECENT ISSUES: EQUITIES

[illegible]

†Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

RIGHTS OFFERS

[illegible]

UK GILTS PRICES

[illegible]

STOCK INDICES

[illegible]

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
Allied Domecq		464½	-6.2	23.59	1.4	Feb Jul	20.5	[illegible]
Bulmer (HP)		534	[illegible]	13.2	2.3	Feb Sep	[illegible]	[illegible]
Burn St Dist		[illegible]	-4.9	3.4	[illegible]	May Nov	28.10	1518
Glenmorangie A		780	[illegible]	12.0	3.3	Jan Jul	17.6	[illegible]
Grand Met		488	3.1	15.25	1.5	Apr Oct	22.7	[illegible]
Guinness		445	2.2	15.25	2.1	May Nov	7.10	[illegible]
Highland		230½	-.3	6.3	2.5	Jan Jun	7.5	[illegible]
5¾pc Cnv Bds		109	-	-	-	-	-	-
Kirin Y		[illegible]	-4.0	[illegible]	4.2	Sep Jun	-	1119
Matthew Clark		284	[illegible]	24.8	0.7	Apr Oct	22.7	2153
Merrydown		110½	[illegible]	4.5	2.4	Jan Oct	15.7	3362
Seagram $		£22½	-7.6	[illegible]	-	MrJnSeDe	3.03	-

BANKS, MERCHANT

BANKS, RETAIL

BREWERIES, PUBS & REST

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

CHEMICALS - Cont.

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING - Cont.

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Cont.

FOOD PRODUCERS

FOOD PRODUCERS - Cont.

GAS DISTRIBUTION

HEALTH CARE

HOUSEHOLD GOODS

HOUSEHOLD GOODS - Cont.

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INV TRUSTS SPLIT CAPITAL

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

[illegible]

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LEISURE & HOTELS - Cont.

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PAPER, PACKAGING & PRINTING - Cont.

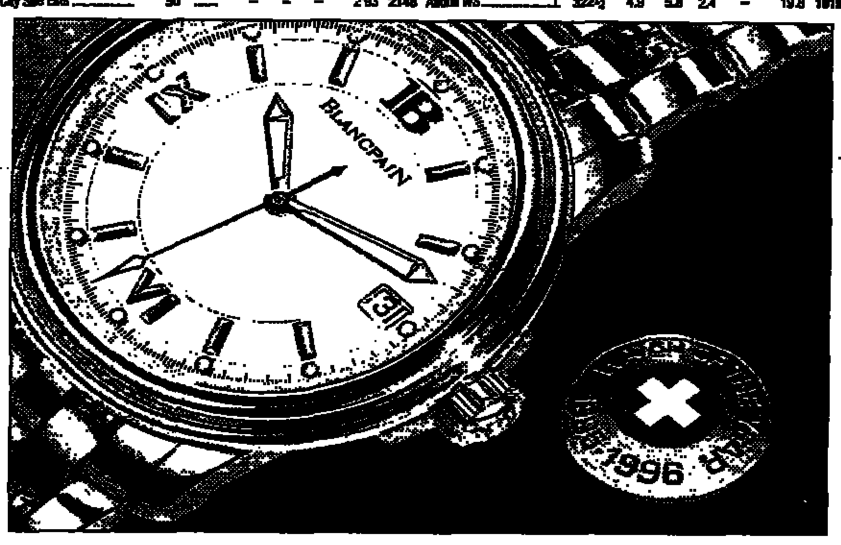
[illegible]

PHARMACEUTICALS

[illegible]

PROPERTY

[illegible]



PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, FOOD - Cont.

[illegible]

RETAILERS, GENERAL

[illegible]

SUPPORT SERVICES

[illegible]

SUPPORT SERVICES - Cont.

[illegible]

TELECOMMUNICATIONS

[illegible]

TELECOMMUNICATIONS - Cont.

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

AIM

[illegible]

AIM - Cont.

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

[illegible]

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service are delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown. Prices and net dividends are in pence unless otherwise indicated.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Dividend covers are calculated on a "net" basis.

Market Capitalisations are published on Tuesdays-Saturdays except for Investment Trusts and British Funds.

- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- Figures or report awaited
- Rule 2.1(a)(v) Overseas incorporated companies listed on an approved exchange.
- Free annual/interim report available, see details below.
- USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- Price at time of suspension
- Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- Merger bid or reorganisation in progress
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- Unregulated collective investment scheme.

a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. p Assumed dividend. q Assumed dividend after scrip issue. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend excludes a special payment. t Indicated dividend: cover relates to previous dividend. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. z Dividend includes a special payment: Cover does not apply to special payment. F Dividend based on prospectus or other official estimates for 1996-97. G Assumed dividend after pending scrip and/or rights issue. H Dividend based on prospectus or other official estimates for 1995. K Dividend based on prospectus or other official estimates for 1996. L Estimated annualised dividend, cover based on latest annual earnings. M Dividend based on prospectus or other official estimates for 1995-96. N Dividend is paid in whole or part as a FID (Foreign Income Dividend). O Gross. R Forecast annualised dividend, cover based on prospectus or other official estimates. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Currency Funds Ltd

Pembroke Hall, Pembroke, Bermuda
UK Prof Advisers 0800 414187 — Jersey 01534 71696
Private Clients 0800 414181 — 00 352 25040438
From O'seas (44) 1732 777377 — Hong Kong (852) 848 1000

	Selling Price	Yield Gr's	City-Line
A$ Accum	A$19.210	5.40	45607
ASch Accum	Sch249.27	2.00	47644
C$ Accum	C$18.733	2.30	40941
DM Accum	DM58.373	1.90	41228
DFl Accum	Dfl31.898	1.80	48985
ECU Accum	Ecu13.523	3.00	41230
FFr Accum	FFr67 145	2.30	41262
HK$ Accum	HK$121.83	4.20	41316
Lire Accum	L23734	7.20	47386
NZ$ Accum	NZ$40.147	6.50	41844
NKr Accum	NKr112.78	3.10	49046
S$ Accum	S$26.078	2.30	49050
SPta Accum	Pta2747.3	5.90	50124
£ Accum	£13.174	4.80	41549
SKr Accum	SKr121.42	3.50	49054
SFr Accum	SFr29.400	0.40	41559
US$ Accum	$23.382	4.40	41575
Yen Accum	Y2690.6	0 10	41582

Prices for dealing November 15

Jupiter Tyndall (Bermuda) Ltd

[illegible]

BERMUDA (REGULATED)(**)

[illegible]

GUERNSEY (SIB RECOGNISED)

[illegible]

M & G (Guernsey) Ltd

Westbourne, The Grange, St Peter Port — 01481 723963

	Init Chrge	Selling Price	Buying Price	Yield Gr's	City-Line
Island Global Fd	0	1812.7	1921.5	0.8	45416
Island Gold	0	4150.7	4399.1	0.101	59128
(Accum. Units)	0	7893.8	8367.2	0.101	45422
Island UK Fd	0	1025.9	1087.5	3.47	45423
(Accum Units)	0	2522.6	2674	3.47	45424

Prudential Fund Managers (Guernsey) Ltd

PO Box 61, St Peter Port Guernsey — 01481 707000
Prudential Money Funds Ltd

	Init Chrge	Selling Price	Buying Price	Yield Gr's	City-Line
Managed Sterling		149.2xd	149.3	3.66	45837
Managed Dollar	6	$14.35d	14.38	3.87	45838
Dollar Deposit		$10.02d	10.03	3.74	45840

Rothschild Asset Management (CI) Ltd

PO Box 242, St Peter Port, Guernsey — 01481 718742/3

	Init Chrge	Selling Price	Buying Price	Yield Gr's	City-Line
Five Arrows Latin Am Dist	5	$14.11	15.24	0	44656
Five Arrows International Bond Funds					
FAIB £ Bond	3½	£21.85	22.34	6.42	47845
FAIB US$ Bond	3½	$33.14	34.28	5.94	47847
FAIB £ Global	3½	£17.41	17.99	5.60	44846
FAIB US$ Global	3½	$31.52	32.58	4.67	44850
Five Arrows International Reserves Ltd					
FAIRL £		£45.217		4.94	45684
FAIRL A$		A$50.259		5.60	45685
FAIRL C$		C$95.505		2.44	45686
FAIRL DFl		Dfl100 869		1.70	45687
FAIRL DFr		DKr398.15		2.45	45688
FAIRL DM		DM96.159		1.94	45689
FAIRL ECU		Ecu31.807		3.11	45670
FAIRL BFr		BFr2044.4		1.85	45671
FAIRL FM F		FM300.231		1.81	-
FAIRL FFr		FFr449.36		2.80	45672
FAIRL HK$		HK$181.96		4.16	45673
FAIRL Lire		L144774		7.01	45674
FAIRL NZ$		NZ$46.882		8.51	45781
FAIRL NKr F		NKr400.495		2.74	-
FAIRL S$		S$97.225		2.22	45675
FAIRL R F		R301.658		14.29	-
FAIRL Pta		Pta4503.83		5.94	45783
FAIRL SF		SFr77.308		0.49	45679

[illegible]

GUERNSEY (REGULATED)(**)

[illegible]

IRELAND (SIB RECOGNISED)

[illegible]

Baring Mutual (Ireland) Ltd

	Selling Price	Buying Price	Yield Gross	City-Line
Umbrella Fixed Inc	$12.84	13.33	0.00	45874
Greater America Fund '92	$908 78		0.00	45878
Pacific Emerging 94 A	$85 87		0.00	52199
Pacific Emerging 94 B	$83.64		0.00	52200
Latin America	$07.88		0.00	54437
Taiwan Fund NAV	$10.35		0 00	52195

Murray Johnstone (Dublin) Ltd

Europa House, Harcourt St, Dublin 2 — 3531 407 2000
Murray Global Accumulation Fund Plc

	Init Chrge	Selling Price	Buying Price	Yield Gr's	City-Line
Murray Financials Bond	2	103.31		8.77	-

Odey Asset Management Ltd

80 Harcourt Street, Dublin 2 — 00 3531 790 2400

[illegible]

IRELAND (REGULATED)(**)

[illegible]

ISLE OF MAN (SIB RECOGNISED)

[illegible]

ISLE OF MAN (REGULATED)(**)

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

JERSEY (REGULATED)(**)

[illegible]

Offshore Funds and Insurances

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LUXEMBOURG (SIB RECOGNISED)

[illegible]

LUXEMBOURG (REGULATED)(**)

[illegible]

OFFSHORE INSURANCES

[illegible]

FT MANAGED FUNDS SERVICE

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OTHER OFFSHORE FUNDS

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Nov 15 / Sch)

BELGIUM/LUXEMBOURG (Nov 15 / Frs.)

CZECH REP (Nov 15 / Koruna)

DENMARK (Nov 15 / Kr)

FINLAND (Nov 15 / Mks)

FRANCE (Nov 15 / Frs.)

GERMANY (Nov 15 / Dm.)

GREECE (Nov 15 / Drachma)

ITALY (Nov 15 / Lire)

NETHERLANDS (Nov 15 / Fls.)

NORWAY (Nov 15 / Kroner)

POLAND (Nov 15 / Zloty)

PORTUGAL (Nov 15 / Escudo)

SPAIN (Nov 15 / Pts.)

SWEDEN (Nov 15 / Kronor)

SWITZERLAND (Nov 15 / Frs.)

TURKEY (Nov 15 / Tk Lira)

PACIFIC

JAPAN (Nov 15 / Yen)

HONG KONG (Nov 15 / H.K.$)

INDONESIA (Nov 15 / Rupiah)

MALAYSIA (Nov 15 / MYR)

NEW ZEALAND (Nov 15 / NZ $)

SINGAPORE (Nov 15 / S$)

AUSTRALIA (Nov 15 / Aust$)

SOUTH KOREA (Nov 15 / Won)

TAIWAN (Nov 15 / TW $)

THAILAND (Nov 15 / Baht)

MONTREAL (Nov 15 / Can $)
4 pm close

AFRICA

SOUTH AFRICA (Nov 15 / Rand)

NORTH AMERICA

CANADA

TORONTO (Nov 15 / Can $)
4 pm close

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. * Calendar year high and low. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

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INDICES

	Nov 15	Nov 14	Nov 13	1996 High		1996 Low	
Argentina							
General(29/12/77)	17483.26	17493.89	17328.95	18881.95	20/5	16297.25	22/8
Australia							
All Ordinaries(1/1/80)	2387.3	2362.5	2346.9	2387.30	15/11	2086.19	17/7
All Mining(1/1/80)	954.8	946.4	928.9	1118.40	8/5	921.30	12/11
Austria							
Credit Aktien(30/12/84)	368.79	368.25	367.16	394.99	31/5	349.19	8/8
Traded Index(2/1/91)	1087.55	1084.90	1075.69	1142.81	28/5	976.27	2/1
Belgium							
BEL20(1/1/91)	1869.46	1855.41	1837.17	1869.46	15/11	1574.90	2/1
Brazil							
Bovespa(29/12/83)	(c)	65230.0	65710	67989.00	21/10	40901.00	2/1
Canada							
Metals Minls♦(1975)	5467.33	5368.40	5449.25	5824.60	8/5	4867.47	16/1
Composite♦(1975)	5870.60	5820.90	5799.00	5870.60	15/11	4739.70	15/1
PortfolioSS(4/1/83)	2916.76	2886.69	2873.84	2916.75	15/11	2327.39	12/1
Chile							
IGPA Gen♥(31/12/80)	5202.35	5246.80	5280.84	5804.33	8/1	5202.35	15/11
Denmark							
CopenhagenSE(3/1/83)	451.48	449.31	447.85	454.28	21/10	368.40	2/1
Finland							
HEX General(28/12/90)	2367.50	2338.39	2263.32	2367.50	15/11	1681.67	10/1
France							
SBF 250(31/12/90)	1502.55	1491.05	1491.66	1502.55	15/11	1258.16	2/1
CAC 40(31/12/87)	2240.33	2218.18	2217.19	2240.33	15/11	1897.85	11/1
Germany							
FAZ Aktien(31/12/58)	969.65	964.90	964.23	969.65	15/11	818.66	2/1
Commerzbank(1/12/53)	2829.70	2814.2	2814.0	2829.70	15/11	2370.10	2/1
DAX‡(30/12/87)	2795.80	2777.01	2773.43	2795.80	15/11	2284.86	2/1
Greece							
Athens SE(31/12/80)	880.39	878.38	908.42	1017.98	4/3	872.99	7/8
Hong Kong							
Hang Seng(31/7/64)	12888.3	13004.8	12943.69	13004.80	14/11	10204.87	2/1
India							
BSE Sens.(1979)	3137.48	3110.23	3126.06	4069.26	18/6	2826.08	25/1
Indonesia							
Jakarta Comp.(10/8/82)	616.88	600.91	595.49	630.21	24/4	512.48	2/1
Ireland							
ISEQ Overall(4/1/88)	2659.38	2652.75	2666.39	2700.04	4/10	2234.61	2/1
Italy							
Banca Comm Ital(1972)	650.54	644.33	638.77	674.19	20/5	572.21	27/3
MIB General(2/1/95)	1104.0	1093.0	1083.0	1142.00	20/5	970.00	27/3
Japan							
Nikkei 225(16/5/49)	20929.73	21031.04	20970.44	22666.80	26/6	19734.70	13/3
Nikkei 300(1/10/82)	293.86	294.84	294.14	319.70	26/6	284.48	11/3
Topix(4/1/68)	1564.74	1569.85†	1557.78	1722.13	26/6	1524.12	13/3
2nd Section(4/1/68)	2019.26	2026.43	2029.49	2251.48	2/7	1982.78	14/3
Malaysia							
KLSE Comp.(4/4/86)	1192.16	1189.43	1183.52	1192.16	15/11	993.18	2/1
Mexico							
IPC(Nov 1978)	(c)	3392.22	3400.96	3433.75	27/8	2736.36	8/3
Netherland							
CBS TtlRtnGen(End 83)	702.3	695.9	693.0	702.30	15/11	539.80	2/1
CBS All Shr(End 83)	412.5	409.3	407.0	412.50	15/11	326.70	2/1
New Zealand							
Cap. 40(1/7/86)	2351.84	2344.17	2342.94	2367.78	21/10	2026.14	7/5
Norway							
Oslo SE(Ind)(2/1/83)	1531.42	1514.61	1509.78	1531.42	15/11	1259.88	30/1
Philippines							
Manila Comp(2/1/85)	3062.10	3072.81	3049.49	3374.40	5/7	2578.97	2/1
Portugal							
BVL 30(4/1/93)	2090.77	2085.0	2056.97	2090.77	15/11	1602.81	2/1
Singapore							
SES All-S'pore(2/4/75)	538.11	536.50	528.38	610.37	5/2	503.78	21/10
South Africa							
JSE Gold(28/9/78)	1720.9♥	1743.6	1711.9	2030.40	29/5	1348.40	2/1
JSE Ind.(28/9/78)	8048.3♥	7980.2	7914.1	8738.30	25/1	7592.40	21/8
South Korea							
KoreaCompEx**(4/1/80)	750.29	743.03	747.32	986.84	7/5	729.53	11/11
Spain							
Madrid SE(30/12/85)	389.72	389.94	388.05	389.94	14/11	323.75	11/1
Sweden							
AffarsvaldsGen(1/2/37)	2251.4	2222.8	2188.4	2251.40	15/11	1706.80	22/1
Switzerland							
Swiss Bk Ind(31/12/58)	1840.86	1824.76	1814.96	1840.86	15/11	1516.19	17/1
SBC General(1/4/87)	1308.67	1296.07	1285.70	1308.67	15/11	1114.47	29/1
Taiwan							
WeightedPr.**(30/6/66)	6587.44	6601.83	6577.29	6603.85	8/11	4690.22	6/2
Thailand							
Bangkok SET(30/4/75)	1000.73	990.82	978.51	1415.04	6/2	995.34	15/10
Turkey							
Istanbul Comp.(Jan 1986)	82541.8	81441.3	82215.0	84692.39	11/11	38779.30	2/1
WORLD							
MS Capital Int(1/1/70)	824.8*	820.7	815.9	824.80	15/11	725.90	15/1
CROSS-BORDER							
Eurotrack 100(26/10/90)	1826.08	1811.78	1799.38	1826.08	15/11	1504.49	11/1
Euro Top-100(26/6/90)	1537.45	1528.17	1516.40	1537.45	15/11	1333.01	11/1
HSBC JC Drgn(31/12/88)	(u)	404.51	402.07	404.51	14/11	344.19	2/1
ING Brngs Emrg(7/1/92)	159.39	158.70	158.22	165.81	4/7	147.36	2/1

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
CAC-40 (200 x index)							
Nov	2233.0	2226.0	+21.0	2257.0	2232.0	20,893	22,283
Dec	2238.0	2231.0	+30.0	2261.0	2236.5	899	19,634
DAX							
Dec	2799.0	2809.5	+15.0	2812.5	2794.0	22,353	–
Mar	2818.5	2829.0	+18.0	2831.5	2813.5	342	–
OMX							
Nov	1747.00	1760.00	+24.00	1764.00	1742.00	7,794	24,100
Dec	1769.00	1773.00	+26.75	1773.00	1751.75	2,112	10,032
SOFFEX							
Nov	3873.0	3885.4	+24.5	3886.0	3872.0	2,809	4,230
Dec	3878.0	3908.0	+42.0	3913.0	3878.0	6,746	20,164

** Sat Nov 9: Taiwan Weighted Price 6565.08; Korea Comp Ex 730.82. Base values of all indices are 100 except: Australia All Ordinary and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., BVL30, SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 20 Industrials – 264.3; NYSE All Common – 50 and Standard and Poor's – 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Nov 15 - 2800.60 +16.21.

US INDICES

Dow Jones	Nov 15	Nov 14	Nov 13	1996 High	1996 Low	Since compilation High	Since compilation Low
Industrials	6348.03	6313.00	6274.24	6376.73 (15/11)	5032.94 (10/1)	6376.73 (15/11/96)	41.22 (8/7/32)
Home Bonds	103.61	103.84	103.77	106.09 (14/2)	100.99 (15/7)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	2221.45	2228.82	2216.85	2298.20 (22/5)	1882.71 (18/1)	2298.20 (22/5/96)	13.23 (8/7/32)
Utilities	234.91	233.16	232.88	236.88 (7/11)	204.86 (30/7)	256.48 (31/8/93)	10.53 (8/7/32)

DJ Ind. Day's high 6414.37 (6350.64) Low 6277.22 (6232.50) (Theoretical♦)
Day's high 6348.03 (6314.12) Low 6377.85 (†6254.11) (Actual♦)

Standard and Poors	Nov 15	Nov 14	Nov 13	1996 High	1996 Low	Since compilation High	Since compilation Low
Composite‡	737.62	735.88	731.14	737.63 (15/11)	598.48 (10/1)	737.83 (15/11/96)	4.40 (1/6/32)
Industrials♥	866.67	864.69	859.52	869.67 (15/11)	702.07 (15/1)	869.67 (15/11/96)	3.52 (30/6/32)
Financial	80.73	80.44	79.36	80.73 (15/11)	58.87 (10/1)	80.73 (15/11/96)	7.13 (4/9/74)
NYSE Comp.	390.02	389.01	388.91	390.02 (15/11)	321.41 (10/1)	390.02 (15/11/96)	4.64 (25/4/42)
Amex Mkt Val	585.41	585.38	584.31	614.99 (22/5)	525.60 (18/7)	614.99 (22/5/96)	29.13 (9/12/74)
NASDAQ Comp	1261.80	1270.36	1260.72	1270.36 (14/11)	988.57 (15/1)	1270.36 (14/11/96)	54.87 (3/10/74)

■ RATIOS

	Nov 8	Nov 1	Oct 25	Year ago
Dow Jones Ind. Div. Yield	2.09	2.15	2.16	2.39
	Nov 13	Nov 6	Oct 30	Year ago
S & P Ind. Div. yield	1.87	1.89	1.95	2.03
S & P Ind. P/E ratio	22.64	23.58	22.80	18.37

■ NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
US West Md	8,008,100	18⅝	+¾
IBM	7,789,700	145	+8⅛
Hewlett-Pk	7,284,200	50⅝	+1⅜
Wal-Mart	6,824,300	24½	-⅛
Bay Netwk	6,130,600	24	+⅜
AT & T	4,911,700	37½	-¼
Digital Eq	4,791,300	34¾	+1½
Westinghs	4,684,200	18¾	-⅜
Vimpel Cm	4,351,400	29	+8½
Loral Sp	4,234,100	18¾	+⅜

■ TRADING ACTIVITY

● Volume (million)

	Nov 15	Nov 14	Nov 13
New York SE	526.623	478.546	429.811
Amex	24.162	22.617	22.315
NASDAQ	(u)	618.465	593.876
NYSE			
Issues Traded	3,303	3,309	3,288
Rises	1,284	1,471	1,295
Falls	1,181	977	1,119
Unchanged	858	861	874
New Highs	280	200	168
New Lows	25	21	20

	Open	Sett price	Change	High	Low	Est. vol.	Open Int.
■ S&P 500							
Dec	738.45	740.85	+1.80	746.50	737.00	71,278	193,451
Mar	747.00	747.50	+1.65	752.00	743.70	942	9,534
■ Nikkei 225							
Dec	21170.0	21220.0	-120.0	21220.0	20920.0	16,971	216,454
Mar	21220.0	21250.0	-120.0	21250.0	20970.0	3,257	21,308

Open Interest figures for previous day.

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

■ TOKYO - MOST ACTIVE STOCKS: Friday, November 15, 1996

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nippon Steel Cp	9.0m	346	-1	Daido Stl Sheet	3.2m	1440	+10
Green Cross Cp	5.1m	570	-14	Sumitomo Mtl Ind	3.1m	307	-3
Kawasaki Steel	4.4m	352		Nissan Motor	2.8m	805	-5
NEC Corp	4.4m	1320		NKK Corp	2.8m	284	-1
Clarion	3.7m	638	-2	Hitachi	2.4m	1010	-20

NEW YORK STOCK EXCHANGE PRICES

4 pm close November 15

1996 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
31¼	17¾	AAR	0.48	1.7	24	266	28⅛	27½	27½	-⅛
48⅛	33	AMP	1.00	2.9	17	11329	35¾	34⅞	35	-⅛
97½	68	AMR			17	6222	87½	85	85¼	-1¼
50½	37⅜	ASA x	1.40	3.5	26	999	39⅞	39½	39⅝	-¼
54⅞	38⅛	AbbtL	0.96	1.8	22	19897	u54⅞	53½	53½	
17¼	12¾	Abitibi Pr	0.40	2.8	7	612	15¼	15	15¼	+¼
20¼	13½	ABM Ind	0.35	2.0	18	45	17⅝	17½	17½	-⅛
22½	13⅞	Acptecain			10	62	21⅛	20⅝	20⅝	-¼
59	37¾	ACE Ltd	0.58	1.0	14	380	u59	58½	58⅝	+⅛
10⅜	9⅛	ACM Gvt In x	0.90	8.8	8	514	u10⅜	10⅛	10¼	-⅛
7⅞	6⅝	ACM GvOpp x	0.57	7.9		489	7⅜	7¼	7¼	-⅛
9¾	8⅜	ACM Man x	0.90	9.5		267	9⅝	9½	9½	
13⅞	6⅛	Acme Elect	0.32	4.4	55	59	7½	7⅛	7¼	
19	13⅞	Acme Mills			13	36	18¾	18½	18¾	+⅛
33¾	27¾	Acordia	0.72	2.5	14	25	29⅛	29	29	-¼
24¼	12	Acuson			117	1415	d24¾	24⅜	24⅝	
21	17⅞	Adams Expr	0.55	2.6	1	475	u21	20¾	21	+⅛
25¾	10¼	AdvMic				2537778	25½	24¼	25⅛	+½
11⅛	8½	Advest Grp	0.16	1.6	7	370	9⅞	9¾	9¾	-⅛
26⅛	9⅛	Advo Inc	0.10	0.8	99	163	12⅞	12½	12⅞	
58⅝	41⅛	Aegon	1.45	2.6	17	103	56½	55½	55½	-1⅛
6¾	3½	Aerifix				3	478	4⅝	4⅜	4⅝	+⅛
70⅞	57⅜	Aetna	0.80	1.1	8	3629	69⅞	69⅜	69⅝	
44	28¼	AlacZ x	0.40	1.0	17	2786	42⅝	41⅜	41⅝	-⅝
22	17⅛	AGL Res x			15	638	21⅝	20⅞	21¼	
32⅛	21¼	Ahmnan x	0.88	2.8	56	4331	31⅝	31⅛	31⅜	+¼
69⅜	50⅞	AirPrC	1.10	1.6	18	3897	u69⅜	67⅞	69¼	-⅜
28⅜	19½	Airbrne Frt x	0.30	1.4	15	328	21¾	21¼	21¼	-⅜
25¾	15½	Airgas Inc			40	4796	u25¾	24½	25⅝	+1

[illegible]

Continued on next page

4 pm close November 15

NYSE PRICES

1996 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
Continued from previous page										
32 1⁄4	18 5⁄8	Schwab(C)	0.18	0.6	24	4333	30 1⁄4	29 1⁄2	29 3⁄4	-1⁄2
33 5⁄8	22 3⁄4	SchwMaud	0.60	7.9	15	257	30 7⁄8	30 3⁄8	30 7⁄8	+5⁄8
20 3⁄8	12	ScAltB	0.06	0.4	68	3076	15 3⁄8	15	15	-1⁄4
24 3⁄4	17	Scotsman	0.10	0.4	12	35	23	22 3⁄4	22 7⁄8	-1⁄8
18 1⁄8	12 3⁄8	ScuddrNAgF	0.02	0.2		138	13 1⁄4	13	13 1⁄8	
14 1⁄8	11	ScuddrNEuF	0.16	1.1		378	14	13 7⁄8	14	+1⁄8
20 3⁄4	14 3⁄4	SeaCaA x	0.77	4.9	23	72	16	15 7⁄8	15 7⁄8	
16	15	SeaC1.4625	1.46	9.4		4	15 5⁄8	15 5⁄8	15 5⁄8	+1⁄4
77 3⁄4	39 1⁄8	S'gate			36	11487	75 3⁄8	72 1⁄2	73 1⁄2	-1 3⁄8
38 5⁄8	30 7⁄8	Seagrm	0.61	1.6	28	3787	38 3⁄8	37 3⁄4	38 1⁄8	+3⁄8
26	17 1⁄4	Seagull En	1.20	5.3	68	2465	22 1⁄2	21 3⁄4	22 1⁄2	+3⁄4
44 1⁄8	26	Sealed Air	0.64	1.5	28	725	u44 1⁄8	43 1⁄4	43 3⁄4	-1⁄4
53 7⁄8	38 1⁄4	SearsR	0.92	1.9	17	17321	48 7⁄8	47 7⁄8	48	-1⁄2
20 5⁄8	17	ScCpSBNB	1.24	6.0	14	1416	20 1⁄2	20 1⁄4	20 1⁄2	+1⁄4
13	11 7⁄8	Seligm Sel x	0.84	6.8		39	12 1⁄2	12 3⁄8	12 3⁄8	
23 3⁄4	13 5⁄8	Sensormat x	0.22	1.1	13	9037	20 5⁄8	19 1⁄2	20 1⁄4	
46 1⁄2	29 1⁄2	SequaA	0.80	1.5	46	11	40 1⁄8	39 7⁄8	39 7⁄8	-1⁄4
53 5⁄8	39	SequaB	0.50	1.0	80	10	52	52	52	+1⁄2
31 3⁄4	19 1⁄2	SrvCp	0.24	0.8	26	9403	30 1⁄2	29 1⁄2	29 3⁄4	+7⁄8
26 5⁄8	19 1⁄2	SvMstr	0.68	2.7	15	1215	25 5⁄8	24 3⁄4	25 5⁄8	+1
6 1⁄4	4 3⁄8	ServMerch			13	3814	5 3⁄4	5 3⁄8	5 1⁄2	-1⁄8
63	28 1⁄2	SGSTam			13	2134	u63	61 1⁄4	62	+1 1⁄4
15 5⁄8	10 5⁄8	Shaw Ind x	0.30	2.6	30	2494	11 7⁄8	11 5⁄8	11 3⁄4	-1⁄8
14 3⁄4	10 1⁄8	Shelby Wil	0.32	2.3	15	57	13 7⁄8	13 1⁄2	13 5⁄8	-1⁄4
101 1⁄2	76 5⁄8	ShellTr	3.46	3.5	19	108	99 1⁄4	97 7⁄8	98 3⁄4	+5⁄8
56 1⁄8	39	SherwnW x	0.70	1.3	21	1688	u56 1⁄8	55	55 3⁄4	+1 1⁄8
13 3⁄8	7 1⁄8	Shoneys			9	1144	8 3⁄4	8 1⁄4	8 5⁄8	+1⁄2
35 1⁄2	18 1⁄8	Showboat	0.10	0.5	84	1086	19	18 5⁄8	18 5⁄8	

1996 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
- X - Y - Z -										
47 3⁄8	39 3⁄4	Xtra Corp	0.72	1.8	15	26	40 3⁄4	40 1⁄4	40 7⁄8	+1⁄4
25 3⁄4	20 1⁄8	Yankee Egy	1.30	5.8	10	14	22 3⁄8	22 1⁄4	22 1⁄4	
53 3⁄4	43 7⁄8	York Int	0.36	0.7	24	2411	53	52 1⁄4	52 1⁄2	-1⁄8
4	3	Zapata	0.14	3.7	10	120	3 7⁄8	3 3⁄4	3 3⁄4	
25 3⁄4	5 7⁄8	ZnthEl			5	1973	13	12 1⁄2	12 1⁄2	-3⁄8
28 7⁄8	21 1⁄8	Zenith Nat	1.00	3.8	35	120	26 7⁄8	26 1⁄4	26 1⁄4	-1⁄2
7 1⁄4	6 1⁄2	Zenix Inc	0.72	9.9		146	u7 1⁄4	7 1⁄8	7 1⁄4	+1⁄8
22 7⁄8	15 1⁄8	Zero x	0.12	0.6	17	171	20 1⁄8	20	20	+1⁄8
28 1⁄4	18 1⁄2	Zurn Ind	0.40	1.4	22	216	28	27 3⁄4	27 7⁄8	+1⁄8
11 3⁄8	10 1⁄2	Zweig Fund	1.08	9.8		434	11	10 7⁄8	11	+1⁄8
9	8 1⁄4	Zweig Tot x	0.84	9.9		368	8 1⁄2	8 3⁄8	8 1⁄2	+1⁄8

Price data supplied by Telekurs

Yearly highs and lows for NYSE reflect the period from Jan 1 1996. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

d-new yearly low. P/E price-earnings ratio. sls-sales. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.
Dealings suspended.

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AMEX PRICES

4 pm close November 15

NASDAQ NATIONAL MARKET

4 pm close November 15

FT GUIDE TO THE WEEK

MONDAY 18

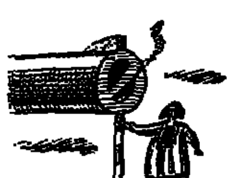
Greenspan in Japan

The central bank governors of the world's two largest economies meet in Tokyo. Alan Greenspan, the chairman of the US Federal Reserve, is seeing Yasuo Matsushita, the governor of the Bank of Japan, at his Japanese counterpart's request. The *men are expected* to discuss the yen-dollar exchange rate. This comes in the wake of a statement by the Japanese finance ministry saying the foreign exchange market is being excessively pessimistic about the economy – a significant shift from its former stance of being happy to let the yen fall.

Chirac sees Hashimoto

Jacques Chirac, the French president, meets Ryutaro Hashimoto, the Japanese prime minister. The visit by Mr Chirac, a noted Japanophile, follows an easing of tensions between the countries thanks to France's decision to sign up to the ban on the testing of nuclear weapons.

MPs vote on handguns



British MPs debate the government's firearms (amendment) bill, which, in the wake of the Dunblane massacre, proposes a ban on all handguns greater than .22 calibre. The bill also proposes tighter gun licensing requirements; more secure gun clubs; and the prohibition of mail-order gun sales.

Moldova election results

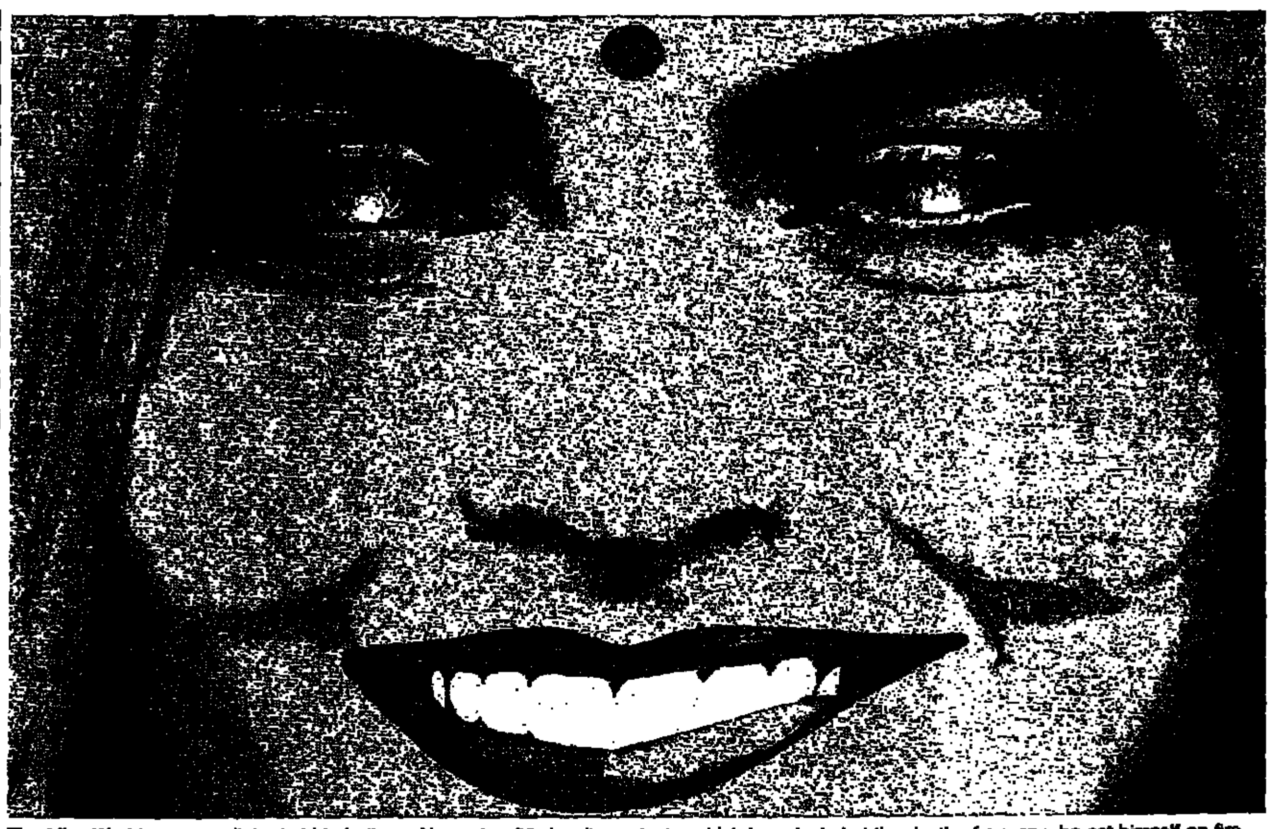
Results from the first round of presidential elections in Moldova are expected, *with nobody likely to win a* majority. The two front-runners would face a run-off. The Romanian-speaking state's relations with Russia are a prominent issue – a dispute with the Slavic separatists in the Trans-Dnestr region, where Russian troops are based, is unresolved.

WEU council

Foreign and defence ministers from the 10 states of the Western European Union, plus 18 other countries associated with the security organisation, gather in Ostend to map out the future for European-only military and peace-keeping efforts. The meeting takes place in the shadow of a humanitarian emergency in central Africa – a crisis of precisely the kind the WEU might be expected to manage.

Fujimori in Bangkok

Alberto Fujimori, the Peruvian president, is in Thailand on the third leg of his tour of south-east Asia, which is to rally support for Peru's pending application to the Asia-Pacific Economic Co-operation forum (Apec). About 45 per cent of Peruvian exports go to Apec-member countries. Earlier in Japan, Mr Fujimori won confirmation of $600m (£364m) in soft credits to Peru for infrastructure. On Apec, however, Japan indicated it would only support Peru if other members decided to lift the current moratorium on new membership.



The Miss World contest will be held in India on November 23 despite protests, which have included the death of a man who set himself on fire.

Zambia holds elections

Despite a last-minute plea by Nelson Mandela, the South African president, that it be postponed, Zambia holds its most controversial election since independence in 1964. *President* Frederick Chiluba's rival and predecessor, Kenneth Kaunda, has been barred from standing and his party is boycotting the poll in which voter cards have only reached a quarter of the 4.6m electorate.

Herzog visits China

Roman Herzog, president of Germany, begins a week-long visit to China. Mr Herzog is scheduled to meet President Jiang Zemin and Premier Li Peng, and will also travel to Shanghai.

Mastering Enterprise

Mastering Enterprise, a 12-part series on entrepreneurship, is launched in the Financial Times. It covers every stage from starting a company to building and sustaining entrepreneurial attitudes in large organisations and the public sector. (UK and continental European editions only; for orders, call 0171 538 1164 or fax 0171 537 3594, £4 per copy or £30 for the series.)

Public holidays

Belize, Haiti, Latvia, Morocco, Oman.

TUESDAY 19

Clintons in Australia

Bill Clinton, the US president, arrives in Sydney for a five-day visit to Australia. He is to talk with John Howard, Australia's prime minister, and will address parliament in Canberra. Meanwhile, Mrs Clinton will make a speech on "Women in the 21st Century". They will then travel to the Great Barrier Reef.

Greek budget outlined

Yannos Papantoniou, the Greek economy minister, is expected to reveal details of the 1997 budget. It aims at keeping Greece on track for single currency membership in 2000 by cutting the deficit from 7.6 per cent to 4.2 per cent of GDP next year. New property taxes should help, but critics say spending cuts will have to be deeper to meet the Maastricht targets.

Macedonia election results

The results of Sunday's local elections are expected, providing the first indication of the popularity of Macedonia's governing (ex-communist) Social Democrats since they dumped their Liberal coalition partners earlier this year.

FT Surveys

Belgium; India.

Tennis

ATP championships, Hanover, Germany (*to Nov 24*).

Public holidays

Belize, Monaco, Oman, Puerto Rico.

WEDNESDAY 20

WTO acts on Cuba dispute

The World Trade Organisation is expected to set up a dispute panel at the European Union's request to rule on US sanctions on Cuba. The EU, backed by Canada, claims the new Helms-Burton law penalising foreign investors in Cuba contradicts international trade rules. Washington says the issue is one of foreign policy, not trade, and has threatened to invoke the WTO's national security exception.

Christopher in China

Warren Christopher, the outgoing US secretary of state, meets Chinese officials to prepare for President Bill Clinton's bilateral meeting with President Jiang Zemin during the meeting of the Asian Pacific Economic Co-operation (Apec) forum in the Philippines. Mr Christopher is hoping for a signal that Beijing is prepared to open its markets further in its determination to join the World Trade Organisation. On Thursday, he will deliver in Shanghai what is being billed as a "major" speech on the US-China relationship.

Apec tackles trade tariffs

Trade ministers from the 18-member Apec forum arrive in Manila for the group's five-day annual conference – which will culminate in the Apec leaders' summit next week. The meeting will discuss Apec's plans to eliminate tariffs by 2010 for developed members and 2020 for developing countries.

Saleroom

One of the great paintings from the influential New York school of the post-war years comes up for sale at Christie's in New York. Willem de Kooning's "Woman", painted in 1949, cleverly combines both abstract and figurative techniques and is one of the most powerful portrayals of American womanhood of the generation. It is expected to make about $10m.

FT Surveys

North American Business Locations; Sweden.

Public holiday

Mexico.

THURSDAY 21

House of Keys elections

Voters in the Isle of Man, a self-ruling dependency of the UK, choose between 47 candidates for 24 seats in their parliament, the House of Keys. The candidates want to widen the gap between London and Brussels. As its offshore finance industry thrives, some also want more independence from Britain. Donald Gelling, the treasury minister, is favourite to become chief minister to replace Miles Walker, who is stepping down.

Zedillo in Far East

Ernesto Zedillo, the president of Mexico, travels to China on the first leg of a trip to the Far East to diversify trade links. He will meet Chinese businessmen in Shanghai and Beijing, and attend a meeting of Apec in Manila. Mr Zedillo will also visit Singapore and South Korea – two countries which have set up electronics plants in Mexico in recent years to take advantage of its privileged access to the US and Canadian markets.

FT Surveys

Portugal; Denmark.

Golf

World Cup of Golf, Cape Town, South Africa (*to Nov 24*).

Public holidays

Lebanon.

FRIDAY 22

Euro-banking congress

Convergence within the EU and its effects on employment will be one of the main topics at the sixth meeting of the European Banking Congress in Frankfurt. Hosted by the leading German banks and the city of Frankfurt, the congress will also look at currency arrangements between Emu member countries, their neighbours and banks. Helmut Kohl, the German chancellor, will speak on European integration. Other speakers include finance ministers and central bank governors.

FT Survey

Derivatives.

Public holiday

Lebanon.

SATURDAY 23

Modern biathlon

British championships, Macclesfield, England (to Nov 24).

Public holidays

Georgia, Japan.

SUNDAY 24

EU/Mercosur conference

Regional economic integration in Europe and Latin America is the focus of a four-day conference opening in Montevideo, Uruguay. The European Union Forum in Latin America, which is supported by the European Commission, brings together politicians, business leaders and others to compare the two experiences. Latin Americans are likely to tell Europeans that words are fine but what they really want is freer access to the European market.

Referendum on presidency

Voters in Belarus will vote on a new constitution. President Alexander Lukashenko's draft gives him control over the courts and parliament, and lengthens his term by several years. Mr Lukashenko claims the vote will be legally binding. In response, parliament has put its own proposed constitution, eliminating the presidency, on the ballot.

Public holiday

Sri Lanka.

Compiled by Simon Strong. Fax: (+44) (0)171 873 3194.

ECONOMIC DIARY

Other economic news

Monday: The UK's public sector borrowing requirement is expected to show a repayment in October. Japanese export growth could lead to a rise in Japan's trade surplus.

Tuesday: German producer price data due this week are expected to show prices fell slightly last month. The ifo business survey is expected to point to a further pick-up in confidence last month. German M3 money supply growth is forecast to have slowed.

Wednesday: UK retail *sales are expected to* have show picked up further last month. UK M4 money supply growth is expected to have slowed. The US trade deficit is expected to have contracted in September.

Thursday: UK GDP data is expected to show consump*tion and investment* growth and a further run-down in stocks. *Japanese leading* indicators are expected to rebound, pointing to stronger economic growth.

Friday: The latest monthly survey by the Confederation of British Industry is expected to show a further recovery in manfacturing output and demand.

Statistics to be released this week

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Mon	Nethlnds	Sep industrial production	4.0%	2.4%
Nov 19	UK	Sep public spending borrowing rqt	-£2.0bn	£3.4bn
	Canada	Sep manufacturing new orders		-1.8%
	Canada	Sep manufacturing shipments*		-0.7%
	Canada	Sep manufacturing I-S ratio		1.31
	Mexico	Sep industrial activity	11.10%	12.7%
Tue	Japan	Oct money supply (M2+CD)**	3.5%	3.5%
Nov 19	Japan	Oct broad liquidity**		3.7%
	Japan	Nov wh'lsale price indx (1st 10 days)		0.0%
	Sweden	Sep current account	SKr5.3bn	Skr4.6bn
	US	Oct housing starts	1.44m	1.44m
	US	Oct building permits		1.38m
	US	Redbook w/e 16 Nov		0.5%
Wed	Denmark	Oct consumer price indx**	2.5%	2.3%
Nov 20	UK	Oct retail sales*	0.4%	-0.3%
	UK	Oct retail sales**	4.1%	3.5%
	UK	Oct M4*	0.5%	0.8%
	UK	Oct M4**	9.6%	9.9%
	UK	Oct M4 lending	£4.8bn	£3.7bn
	UK	Oct building society net new commts	£3.8bn	£3.6bn
	Sweden	Sep industrial production	2.8%	2.0%
	US	Sep trade: goods and services	-$9.5bn	-$10.8bn
	US	Sep gds & srvcs exprt (bal of pymts)	$70.1bn	$69.3bn
	US	Sep gds & srvcs imprt (bal of pymts)	$80.0bn	$80.1bn
	Canada	Sep merchandise exports*†		2.7%
	Canada	Sep merchandise imports*†		-2.7%
Thu	Aust'lia	Q3 company profits	-0.5%	-1.4%
Nov 21	Japan	Sep coincident indx	75.0%	30.0%
	Japan	Sep leading differential indx	50.0%	33.3%
	UK	Q3 gross domestic product*** (revised)	0.8%	0.8%
	UK	Q3 gross domestic product** (revised)	2.3%	2.3%
	US	M1 (w/e 11 Nov)		$0.3bn
	US	M2 (w/e 11 Nov)		$9.7bn
	US	M3 (w/e 11 Nov)		$12.0bn
	Mexico	Q3 gross domestic product**	5.4%	7.2%
Fri	France	Sep industrial production*	-0.5%	1.9%
Nov 22	France	Sep industrial production excl energy*	-0.4%	2.9%
	Canada	Sep wholesale trade*†		1.5%
	US	Oct export price indx		-0.8%
	US	Oct import price indx		0.8%
	US	Oct treasury budget	-$28.5bn	$34.4bn
	Mexico	Sep retail sales**	1.7%	-0.7%
During the week...				
	Germany	Oct producer price indx pan-Ger*	0.1%	0.2%
	Germany	Oct producer price indx pan-Ger**	-0.4%	-0.6%
	Germany	Oct M3 from Q4 95 base	8.0%	8.4%
	Italy	Nov consumer price indx 10 cities*	0.3%	0.1%
	Italy	Nov consumer price indx 10 cities**	2.6%	3.0%
	Italy	Oct M2 3M average**		4.1%

*mnth on mnth, **yr on yr, ***qtr on qtr, †seasonally adjusted

Statistics, courtesy MMS International.

MONDAY PRIZE CROSSWORD

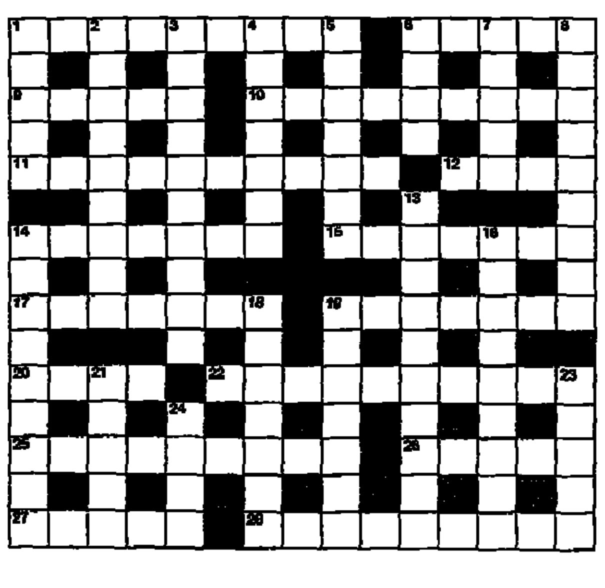
No.9,228 Set by ADAMANT

ACROSS

1 Explosive case over, for example, scandal at motoring organisation (9)
6 Originally cinema used backcloths in creation of three dimensional figure (5)
9 Easy to understand that detectives will follow central clue (5)
10 Tell age of cultivated bean (9)
11 Ask too much for surplus load (10)
12 Hear about the bird (4)
14 Taken off the case and fired (7)
15 Columns of front runners (7)
17 The silver ring is stuck in the mud (7)
19 Coppers held terrorist's breastplate (7)
20 Check on vehicle by Henry, a night flier (4)
22 Society's case about new painter will cause offence (10)
25 Possibly Arab nation, hot and somehow sore (9)
26 Topping the bill at the Lyric in Gielgud's old part (5)
27 It does with time (5)
28 Muddle over green harbinger (9)

DOWN

1 Small room for old instrument (5)
2 But one would expect him to keep quiet about his misdeeds (9)
3 Could I wander round in state of America? That's absurd (10)
4 Fare badly, a failure on the outside, so commit a crime (7)
5 Mark gave Evan a leg up (7)
6 Oarsmen swaggered (4)
7 The sound of wind cut short the peal at church (5)
8 Cleansing the poor cat's hairs (9)
13 Take advantage of fact that London is ecstasy (10)
14 One who cannot promise good delivery (9)
16 Looking closely at cut back on extracting (9)
18 A month with no drink? That's a proper way to behave! (7)
19 Admit iron hearted villains to Spithead (7)
21 Shoddy trappings for the horse yard (5)
23 Doctors are, for example, keen (5)
24 Girl possessing no brogue, perhaps (4)



A prize of a Pelikan New Classic 380 fountain pen for the first correct solution opened and five runner-up prizes of £35 Pelikan vouchers will be awarded. Solutions by Thursday November 28, marked Monday Crossword 9,228 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9HL. Solution on Monday December 2. *Please allow 28 days for delivery of prizes.*

Name..

Address.......................................

....

Winners 9,216

Rebecca Parker, London N1
C.W. Cubie, Hove, Sussex
Mrs H. Hurst, Wetherby, Yorkshire
D. and D. King, London N3
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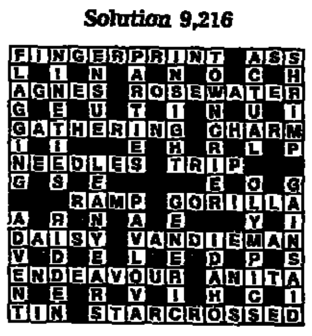
Solution 9,216



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